

**LOWELL AREA SCHOOLS**  
**Kent and Ionia Counties, Michigan**

Comprehensive Annual Financial Report

For the year ended June 30, 2006

**LOWELL AREA SCHOOLS**  
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For the year ended June 30, 2006

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## **FINANCIAL SECTION**

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT**

August 4, 2006

The Board of Education  
Lowell Area Schools

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Lowell Area Schools (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's elected officials and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the major fund and the aggregate remaining fund information of Lowell Area Schools as of June 30, 2006, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2006 on our consideration of Lowell Area Schools' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of Lowell Area Schools. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Hungerford, Aldrin, Nichols & Carter, P.C.*

Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



As management of the Lowell Area Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

### **Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the district, reporting the District’s operations in more detail than the district-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short term as well as what remains for future spending.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the district acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. Other Supplemental Information follows and includes combining and individual fund statements.

### **District-wide Statements**

The District-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District’s assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District’s net assets, and how they have changed. Net assets - the difference between the District’s assets and liabilities - is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.





In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

### Condensed District-Wide Financial Information

The Statement of Net Assets provides financial information on the District as a whole.

	2006	2005
<b>Assets</b>		
Current assets	\$ 9,552,848	\$ 9,313,944
Net capital assets	39,812,949	41,069,459
<b>Total Assets</b>	<b>49,365,797</b>	<b>50,383,403</b>
<b>Liabilities</b>		
Current liabilities	13,263,571	13,048,769
Long-term liabilities	44,738,222	48,769,311
<b>Total Liabilities</b>	<b>58,001,793</b>	<b>61,818,080</b>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(10,147,089)	(11,751,256)
Restricted	618,045	546,227
Unrestricted	893,048	(229,648)
<b>Total Net Assets</b>	<b>\$ (8,635,996)</b>	<b>\$ (11,434,677)</b>

The results of the fiscal year's operations for the District as a whole are presented in the Statement of Activities, which shows the change in total net assets for the year.



### Changes in Net Assets from Operating Results

	2006	2005
<b>Program Revenues</b>		
Charges for services	\$ 1,506,319	\$ 1,527,540
Operating grants	4,697,904	4,192,057
<b>General Revenues</b>		
Property taxes	7,226,590	6,775,791
State school aid, unrestricted	24,367,127	23,401,951
Interest and investment earnings	164,729	117,695
Gain on sale of capital assets	2,338	2,480
Other	669,340	468,204
<b>Total Revenues</b>	<b>38,634,347</b>	<b>36,485,718</b>
<b>Expenses</b>		
Instruction	19,121,753	20,554,156
Supporting services	12,466,483	13,220,347
Community services	467,593	444,708
Food service	1,204,051	1,229,438
Athletics	657,001	749,371
Other	23,264	11,068
Interest on long-term debt	1,895,521	3,084,720
<b>Total Expenses</b>	<b>35,835,666</b>	<b>39,293,808</b>
Increase (decrease) in net assets	2,798,681	(2,808,090)
<b>Net Assets, Beginning of Year</b>	<b>(11,434,677)</b>	<b>(8,626,587)</b>
<b>Net Assets, End of Year</b>	<b>\$ (8,635,996)</b>	<b>\$ (11,434,677)</b>

### Financial Analysis of the District as a Whole

The District's financial position is the product of many factors. Student numbers increased by 15 students from the previous year while the State per-pupil allocation increased by \$175. As a result, revenue from the State Foundation Allowance increased by \$685,624. In addition, the District incorporated over \$1.2 million in expenditure cuts in its original 2005-06 budget. In 2004-05 the District entered into an agreement with the teacher's union to offer a severance package to teachers with ten or more years of service. The total cost of the severance package (granted in June, 2005) is \$557,420 for each of three years, beginning in 2005-06, which was entirely expensed in the 2004-05 school year, reducing unrestricted net assets by \$1,672,260.

The District's total revenues increased 5.9 percent to \$38.6 million. Property taxes and state aid accounted for most of the District's revenue, contributing 82 cents of every dollar collected. Another 12 percent came from state and federal aid for specific programs, and the remainder from fees charged for services, interest earnings and miscellaneous sources.

The total cost of all programs and services fell approximately 9 percent to \$35.8 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students (60 percent). The District's administrative and business activities accounted for 9 percent of total costs. Operation and maintenance costs accounted for another 9 percent of total costs.



The District's total revenues exceeded expenses by \$2,798,681 for 2005-06, resulting in an unrestricted net assets balance of \$893,048 at June 30, 2006. This increase was due to the interest expense savings resulting from the prior year bond refunding and the implementation of the employee severance package entirely expensed in the previous fiscal year.

The District continues to monitor the State economy and District budget and demographics in an attempt to protect academic programs and opportunities during challenging economic times. Regular updates on the budget and District finances were provided to the Board of Education, community groups, staff, and parents.

- Information was available to community members and parents via the local cable channel, where monthly Board of Education meetings were broadcast. At each monthly Board meeting and at the monthly Board workshop meetings, budget information was shared. The Board was kept updated on the changing economy and the impact on the 2005-06 budget.
- The Key Communicators group (group of parents and community members) continued to meet throughout the year to receive information vital to their understanding of the operations of the district. Their charge was to communicate back to other community members and parents regarding key issues facing the District.
- Information was also shared throughout the year through Family Links (parent support groups), the Lowell Area Schools website, a school newsletter distributed to families living within the Lowell community, and monthly to the Lowell Chamber of Commerce.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.
- *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others, such as Scholarship Funds and Student Activities Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.



## **Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. Lowell Area Schools' funds are described as follows:

### **Major Fund**

#### General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$32,488,474 and other financing sources (loan proceeds for the purchase of buses) of \$174,000, total expenditures of \$31,847,316, and other financing uses (contribution to the Athletic Fund) of \$291,583. It ended the fiscal year with a fund balance of \$2,643,938, an increase of \$523,575 over the June 30, 2005 balance.

### **Nonmajor Funds**

#### Special Revenue Funds

The District operates two Special Revenue Funds, for the food service and athletics programs:

- Total revenue for the Food Service Fund was \$1,262,888, with total expenditures of \$1,144,888 and a June 30, 2006 fund balance of \$122,709, due to a General Fund contribution of \$438. The food service program is normally self-sufficient, and usually does not rely on General Fund contributions.
- Total revenue for the Athletic Fund was \$264,064 with additional General Fund contributions of \$291,145. Total expenditures were \$574,174, with sixty-four percent (64%) dedicated to salaries and benefits. The fund balance decreased from \$40,505 to \$21,540 for the year ended June 30, 2006.

#### Debt Service Funds

The District operates five Debt Service Funds – 1990, 2000, 2004, 2005 and the Durant fund. Total revenues for the funds were \$4,635,025. Total expenditures were \$4,519,615. The ending fund balances in the Debt Service Funds were \$496,493.

#### Capital Projects Funds

The District operates one Capital Projects Fund, the 2004 Construction Fund. Total revenue for the fund was \$8,290 and total expenditures were \$32,452. The ending fund balance in the Capital Projects Fund was \$215,625.

#### Fiduciary Funds

The Student Activity Fund, Flexible Benefits Fund and the Scholarship Fund are operated as Trust and Agency Funds of the District. The assets of these funds are being held for the benefit of the District's students and employees. Balances on hand at June 30, 2006 totaled \$1,095,085.

## **General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget two times after the June, 2005 adoption. These budget amendments fall into two categories:

- Changes made in December to account for the final student enrollment that determines how much foundation grant state school aid will be received during the fiscal year.



- Final changes made in June to reflect actual revenue and expenditures anticipated at June 30, 2006.

Although the District's final budget for the General Fund anticipated that revenue would exceed expenditures by \$179,184, the actual results for the year show an increase of \$523,575:

- Actual revenues were \$392,480 higher than expected, due to KISD reimbursements and grants.
- Actual expenditures were \$48,089 above budget, due to adding a two-month accrual of the self-funded insurance for the non-union employees and the additional cost of special education transportation.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

By the end of 2006, the District had invested \$59.9 million in a broad range of capital assets, including land, school buildings, athletic facilities, school buses, and furniture and equipment. This amount represents a minimal increase of roughly \$200,000 or less than one percent from last year. (More detailed information about capital assets can be found in Note E in the notes to basic financial statements.) Total depreciation expense for the year was \$1.53 million.

At June 30, 2006, the District's investment in capital assets (net of accumulated depreciation), including land, land improvements, buildings, vehicles, furniture and equipment, was \$39.8 million. This represents a decrease of approximately \$1.3 million from the previous year-end.

Land	\$ 1,022,158
Land improvements	597,507
Buildings	36,978,901
Furniture and equipment	530,634
Vehicles	683,748
	<hr/>
<b>Net Capital Assets</b>	<b>\$ 39,812,949</b>

#### **Long-Term Debt**

At year end, the District had \$49.1 million in general obligation bonds and other long-term debt outstanding – a net decrease of \$3.7 million from last year.

- The District continued to pay down its debt, retiring \$3.34 million of outstanding bonds and installment purchase agreements.

As of June 30, 2006, the District's outstanding Unlimited Tax General Obligation Bonds have the bond ratings of "Aaa" / "AAA" by Moody's Investors Service and Standard and Poor's, respectively. These bond ratings reflect that the District's Unlimited Tax General Obligation Bonds are fully qualified for the Michigan School Bond Loan Fund Program, a State constitutional credit enhancement program. The underlying bond ratings for such bond issues is "A3" / "A", respectively, without regard to such participation in the Michigan School Bond Loan Fund Program. The state limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the District's boundaries. The District's other obligations include early retirement incentive, compensated absences, and accumulated vacation days. We present more detailed information about our long-term liabilities in Note G in the Notes to Basic Financial Statements.



### **Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- The State of Michigan continues to encounter economic difficulties and struggles with declining revenues and increased demands from many sources. As a result, the general and school aid funds at the State level are both impacted, which in turn affects school districts across the State.
- The rising cost of health insurance continues to be a concern.
- The rising cost of employee retirement, controlled by the State, is a significant cause for concern into the future. For every dollar paid to employees throughout the year, the District pays a percentage into the Michigan Public Schools Employee Retirement System (MPERS). In 2005-06, the District paid 16.34% of every dollar of payroll into the MPERS. This percentage will increase to 17.74% in 2006-07.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Lowell Area Schools, 300 High Street, Lowell, MI 49331 via e-mail to the attention of Connie Gillette, Assistant Superintendent for Finance and Personnel - [cgillette@lowellschools.com](mailto:cgillette@lowellschools.com).

## **BASIC FINANCIAL STATEMENTS**

**LOWELL AREA SCHOOLS**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>
<b>Assets</b>	
<b>Current Assets</b>	
Cash equivalents, deposits and investments (Note B)	\$ 3,578,199
Taxes receivable (Note C)	31,219
Accounts receivable	12,710
Due from other governmental units (Note C)	5,253,614
Inventory (Note A)	48,758
Prepaid expenses	628,348
<b>Total Current Assets</b>	<u>9,552,848</u>
<b>Noncurrent Assets</b>	
Capital assets (Note E)	59,947,815
Less accumulated depreciation	(20,134,866)
<b>Total Noncurrent Assets</b>	<u>39,812,949</u>
<b>Total Assets</b>	<u>49,365,797</u>
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts payable	621,939
State aid loan payable (Note F)	2,300,000
Due to other governmental units	755,653
Accrued interest payable	3,521,531
Salaries payable	1,718,412
Current portion of long term obligations	4,346,036
<b>Total Current Liabilities</b>	<u>13,263,571</u>
<b>Noncurrent Liabilities (Notes A, G)</b>	
General obligation bonds payable	44,713,310
Durant non-plaintiff bonds payable	351,677
Energy conservation bonds payable	1,900,000
Installment purchase agreements payable	213,038
Early retirement incentive	1,426,167
Accumulated vacation pay	122,342
Accumulated sick leave	357,724
Current portion of long term obligations	(4,346,036)
<b>Total Noncurrent Liabilities</b>	<u>44,738,222</u>
<b>Total Liabilities</b>	<u>58,001,793</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	(10,147,089)
Restricted for:	
Debt service	402,420
Capital projects	215,625
Unrestricted	893,048
<b>Total Net Assets</b>	<u><u>\$ (8,635,996)</u></u>

See accompanying notes to basic financial statements.



**LOWELL AREA SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2006**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Assets
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 19,121,753	\$ 107,838	\$ 3,192,530	\$(15,821,385)
Supporting services	12,466,483	135,283	1,044,961	(11,286,239)
Community services	467,593	160,544	-	(307,049)
Food service	1,204,051	840,663	418,588	55,200
Athletics	657,001	261,991	-	(395,010)
Other	23,264	-	-	(23,264)
Interest on long-term debt	1,895,521	-	41,825	(1,853,696)
<b>Total Governmental Activities</b>	<b>\$ 35,835,666</b>	<b>\$ 1,506,319</b>	<b>\$ 4,697,904</b>	<b>(29,631,443)</b>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general operations				2,712,843
Property taxes, levied for debt service				4,513,747
State school aid, unrestricted				24,367,127
Interest and investment earnings				164,729
Gain on sale of capital assets				2,338
Other				669,340
<b>Total General Revenues</b>				<b>32,430,124</b>
<b>Change in Net Assets</b>				<b>2,798,681</b>
<b>Net Assets - Beginning of Year</b>				<b>(11,434,677)</b>
<b>Net Assets - End of Year</b>				<b>\$ (8,635,996)</b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2006**

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Assets</b>			
Cash equivalents, deposits and investments (Note B)	\$ 2,778,404	\$ 799,795	\$ 3,578,199
Taxes receivable (Note C)	22,694	8,525	31,219
Accounts receivable	5,077	2,633	7,710
Due from other funds (Note D)	5,000	22,000	27,000
Due from other governmental units (Note C)	5,242,530	11,084	5,253,614
Inventory (Note A)	32,492	16,266	48,758
Prepaid expenditures	10,001	60,000	70,001
<b>Total Assets</b>	<u><u>\$ 8,096,198</u></u>	<u><u>\$ 920,303</u></u>	<u><u>\$ 9,016,501</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 604,732	\$ 17,207	\$ 621,939
State aid loan payable (Note F)	2,300,000	-	2,300,000
Due to other funds (Note D)	-	22,000	22,000
Due to other governmental units	743,494	12,159	755,653
Accrued interest payable	66,973	-	66,973
Salaries payable	1,714,367	4,045	1,718,412
Deferred revenue	22,694	8,525	31,219
<b>Total Liabilities</b>	<u>5,452,260</u>	<u>63,936</u>	<u>5,516,196</u>
<b>Fund Balances</b>			
Reserved for:			
Debt service	-	496,493	496,493
Capital outlay	-	215,625	215,625
Unreserved:			
Undesignated, reported in:			
General fund	2,643,938	-	2,643,938
Special revenue funds	-	144,249	144,249
<b>Total Fund Balances</b>	<u>2,643,938</u>	<u>856,367</u>	<u>3,500,305</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 8,096,198</u></u>	<u><u>\$ 920,303</u></u>	<u><u>\$ 9,016,501</u></u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Assets of Governmental Activities**  
**June 30, 2006**

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<b>Total governmental fund balances</b>		\$ 3,500,305
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$59,947,815 and accumulated depreciation is \$20,134,866.		
		39,812,949
Net bond premium and refunding and issuance costs are not expensed but are amortized over the life of the new bond issue.		
		558,347
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$(44,713,310)	
Durant non-plaintiff bonds	(351,677)	
Energy conservation bonds	(1,900,000)	
Installment purchase agreements	(213,038)	
Early retirement incentive	(1,426,167)	
Accumulated vacation pay	(122,342)	
Accumulated sick leave	(357,724)	(49,084,258)
Accrued interest is not included as a liability in governmental funds.		(3,454,558)
Deferred revenue recognized as revenue in the full accrual statements:		
Property taxes		31,219
<b>Total Net Assets - Governmental Activities</b>		<u><u>\$ (8,635,996)</u></u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2006**

	General	Nonmajor	Total
<b>Revenues</b>			
Local sources	\$ 3,883,856	\$ 5,709,854	\$ 9,593,710
State sources	24,771,917	113,437	24,885,354
Federal sources	1,077,462	346,976	1,424,438
Interdistrict sources	2,755,239	-	2,755,239
<b>Total Revenues</b>	<u>32,488,474</u>	<u>6,170,267</u>	<u>38,658,741</u>
<b>Expenditures</b>			
Current:			
Instruction	18,151,192	-	18,151,192
Supporting services	10,402,832	-	10,402,832
Community services	427,430	-	427,430
Food service	-	1,144,888	1,144,888
Athletics	-	574,174	574,174
Capital outlay	-	32,452	32,452
Debt service:			
Principal repayment	335,862	2,998,829	3,334,691
Interest and fiscal charges	85,807	1,520,786	1,606,593
Interdistrict	2,444,193	-	2,444,193
<b>Total Expenditures</b>	<u>31,847,316</u>	<u>6,271,129</u>	<u>38,118,445</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>641,158</u>	<u>(100,862)</u>	<u>540,296</u>
<b>Other Financing Sources (Uses)</b>			
Loan proceeds	174,000	-	174,000
Transfers in	-	291,583	291,583
Transfers out	(291,583)	-	(291,583)
<b>Total Other Financing Sources (Uses)</b>	<u>(117,583)</u>	<u>291,583</u>	<u>174,000</u>
<b>Net Change in Fund Balances</b>	523,575	190,721	714,296
<b>Fund Balances, Beginning of Year</b>	<u>2,120,363</u>	<u>665,646</u>	<u>2,786,009</u>
<b>Fund Balances, End of Year</b>	<u><u>\$ 2,643,938</u></u>	<u><u>\$ 856,367</u></u>	<u><u>\$ 3,500,305</u></u>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2006**

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**Net change in fund balances - total governmental funds** \$ 714,296

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and the cost is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:

Capital outlays	\$ 274,754	
Depreciation expense	<u>(1,531,264)</u>	(1,256,510)

As some delinquent personal property taxes will not be collected for several years after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead counted as deferred tax revenues. They are, however, recorded as revenues in the Statement of Activities. (24,394)

Net bond premium and refunding and issuance costs are not expensed but but are amortized over the life of the new bond issue. (23,264)

Proceeds from the sale of bonds or loans are an other financing source in the governmental funds, but increase long-term liabilities in the Statement of Net Assets. (174,000)

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets and does not effect the Statement of Activities:

Repayment of bonds	2,998,829	
Repayment of energy conservation bonds	200,000	
Repayment of installment purchase agreements	<u>135,862</u>	3,334,691

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. (288,929)

In the Statement of Net Assets, early retirement incentive, accumulated sick/vacation pay and compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits used/paid (\$766,539) exceeded the amounts earned (\$249,748). 516,791

**Total changes in net assets - governmental activities** \$ 2,798,681

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2006**

	Budgeted Amounts		Actual	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 3,665,628	\$ 3,848,255	\$ 3,883,856	\$ 35,601
State sources	24,023,352	24,762,657	24,771,917	9,260
Federal sources	958,661	1,076,018	1,077,462	1,444
Interdistrict sources	1,907,116	2,409,064	2,755,239	346,175
<b>Total Revenues</b>	<b>30,554,757</b>	<b>32,095,994</b>	<b>32,488,474</b>	<b>392,480</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	13,936,803	14,894,441	14,901,573	(7,132)
Added needs	3,392,901	3,222,681	3,230,878	(8,197)
Adult education services	15,529	18,634	18,741	(107)
Supporting services:				
Pupil services	744,005	777,005	780,854	(3,849)
Instructional staff services	1,406,124	949,442	948,806	636
General administrative services	508,131	509,756	516,766	(7,010)
School administrative services	1,918,379	1,979,467	1,979,973	(506)
Business services	617,143	725,557	757,265	(31,708)
Operation and maintenance services	3,253,927	3,126,141	3,116,531	9,610
Pupil transportation services	1,759,509	1,685,736	1,701,807	(16,071)
Central services	652,703	600,613	600,830	(217)
Community services	417,496	426,716	427,430	(714)
Debt service:				-
Principal repayment	345,374	335,862	335,862	-
Interest and fiscal charges	86,600	85,807	85,807	-
Interdistrict	2,036,776	2,461,369	2,444,193	17,176
<b>Total Expenditures</b>	<b>31,091,400</b>	<b>31,799,227</b>	<b>31,847,316</b>	<b>(48,089)</b>
<b>Excess (Deficiency) Of Revenues Over Expenditures</b>	<b>(536,643)</b>	<b>296,767</b>	<b>641,158</b>	<b>344,391</b>
<b>Other Financing Sources (Uses)</b>				
Loan proceeds	240,000	174,000	174,000	-
Transfers out	(291,145)	(291,583)	(291,583)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(51,145)</b>	<b>(117,583)</b>	<b>(117,583)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(587,788)</b>	<b>179,184</b>	<b>523,575</b>	<b>344,391</b>
<b>Fund Balances, July 1</b>	<b>2,120,363</b>	<b>2,120,363</b>	<b>2,120,363</b>	<b>-</b>
<b>Fund Balances, June 30</b>	<b>\$ 1,532,575</b>	<b>\$ 2,299,547</b>	<b>\$ 2,643,938</b>	<b>\$ 344,391</b>

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2006**

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<b>Assets</b>	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
Cash equivalents, deposits and investments (Note B)	<u>\$ 773,848</u>	<u>\$ 321,237</u>
 <b>Liabilities</b>		
Due to other funds (Note D)	\$ 5,000	\$ -
Due to student groups	-	321,237
Due to employees	<u>34,493</u>	<u>-</u>
 <b>Total Liabilities</b>	<u>39,493</u>	<u>\$ 321,237</u>
 <b>Net Assets</b>		
Held in trust for:		
Individuals and organizations	<u>\$ 734,355</u>	

See accompanying notes to basic financial statements.

**LOWELL AREA SCHOOLS**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the year ended June 30, 2006**

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	Private Purpose Trust Fund
<b>Additions</b>	
Donations	\$ 413,475
Interest earnings	7,373
	<hr/>
<b>Total Additions</b>	420,848
<b>Deductions</b>	
Endowment activities - scholarships	11,854
	<hr/>
<b>Change In Net Assets</b>	408,994
<b>Net Assets, Beginning of Year</b>	325,361
	<hr/>
<b>Net Assets, End of Year</b>	<u><u>\$ 734,355</u></u>

See accompanying notes to basic financial statements.



## **NOTES TO BASIC FINANCIAL STATEMENTS**

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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## **Note A – Summary of Significant Accounting Policies**

Lowell Area Schools was organized under the School Code of the State of Michigan, and services a population of approximately 3,926 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of Lowell Area Schools (the “District”) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District’s accounting policies are described below.

### **1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

### **2. District-Wide and Fund Financial Statements**

**District-Wide Financial Statements** - The district-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type* activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities.

The Statement of Net Assets is presented on the classified basis and is reported on the full accrual, economic resource basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's only major fund. Non-major funds are aggregated and presented in a single column.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred, if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Deferred revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

#### **Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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*General Fund*—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

*School Service Funds*—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Athletic Funds.

*Debt Service Funds*—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

*Capital Projects Funds*—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code.

### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds. Fiduciary Fund net assets and results of operations are not included in the district-wide financial statements. Fiduciary funds are reported using the economic resources measurement focus. The District presently maintains scholarship funds for the benefit of students.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District presently maintains a Student Activities Fund to record the transactions of student groups for school and school related purposes. The funds are segregated and held in trust for the students.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the district-wide and fiduciary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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#### **4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Lowell Area Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Resolution (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year-end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the fund level. All appropriations lapse at the end of the fiscal year.

Lowell Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent and Associate Superintendent for Finance to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

#### **5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

#### **6. Investments**

Investments are recorded at fair value, based on quoted market prices, or estimated fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**7. Inventory**

Inventories are valued at cost (first-in, first-out). Inventories of the General Fund consist of teaching and custodial supplies. Inventories of the Food Service Fund consist of food, unused commodities and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund.

**8. Capital Assets**

Capital assets, which include land, land improvements, buildings, vehicles and furniture and equipment, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Land improvements, buildings and additions, vehicles and furniture and equipment are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	10-20 years
Buildings and additions	40-50 years
Vehicles	5-10 years
Furniture and equipment	3-10 years

**9. Long-Term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**10. Early Retirement Incentive, Accumulated Vacation Pay and Sick Leave**

Early retirement incentive and accumulated vacation pay and sick leave at June 30, 2006 have been computed and recorded in the basic financial statements of the District. Eligible District employees who select early retirement are entitled to a termination leave payment based on their age and years of service. Employees who leave the District are also entitled to reimbursement for a portion of their unused vacation and sick days. At June 30, 2006, the accumulated liabilities, including salary related payments, (expected to be financed by General Fund revenues) for early retirement incentive, accumulated vacation pay and accumulated sick leave amounted to \$1,426,167, \$122,342 and \$357,724, respectively.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**11. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for expenditures or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**12. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**13. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note B – Cash Equivalents, Deposits and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this state under the laws of this state or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- United States or federal obligation repurchase agreements.
- Banker's acceptances of United States Banks.
- Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.
- Surplus funds investment pools.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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Balances at June 30, 2006 related to cash equivalents, deposits and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Assets:	
Governmental activities	\$ 3,578,199
Fiduciary Funds:	
Agency Fund	<u>1,095,085</u>
	<u>\$ 4,673,284</u>

Depositories actively used by the District during the year are detailed as follows:

1. Huntington National Bank

Cash equivalents consist of bank public funds checking accounts. Deposits consist of certificates of deposit.

June 30, 2006 balances are detailed as follows:

Cash equivalents	\$ 3,514,508
Deposits	<u>1,125,568</u>
	<u>\$ 4,640,076</u>

*Custodial credit risk*

Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. Protection of District cash equivalents and deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District's cash equivalents and deposits was \$4,640,076 and the bank balance was \$4,755,735. Of the bank balance, \$100,000 was covered by federal depository insurance and \$4,655,735 was uninsured.

**Investments**

As of June 30, 2006 the District had the following investments:

	<u><b>Fair Value</b></u>
Investment Pool Accounts:	
Huntington National Bank	<u>\$ 33,208</u>

*Custodial Credit Risk*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District minimizes custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

*Credit Risk*

The District's investments in the Huntington National Bank investment pool was unrated.



**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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*Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements and by investing operating funds primarily in shorter term investments under 365 days. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 18 months from the date of purchase. Reserve funds may be invested in securities exceeding 18 months if the maturity of such investments are made to coincide as nearly as practicable with the expected use of funds.

*Concentration of Credit Risk*

The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

The District is not authorized to invest in investments which have this type of risk.

**Note C – State School Aid/Property Taxes**

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts. The amount of 2005 ad valorem State Education Taxes generated within the Lowell Area School District, and paid to the State of Michigan, totaled \$3,849,346.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February, 2005 and September, 2005. The 2005-06 "Foundation Allowance" for Lowell Area Schools was \$6,875 for 3,918 "Full Time Equivalent" students, generating \$24,864,177 in state aid payments to the District of which \$4,499,985 was paid to the District in July and August, 2006 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

Property taxes for the District are levied July 1 and December 1 under a split-levy by the City of Lowell and the Townships of Ada, Bowne, Cannon, Cascade, Grattan, Lowell, Vergennes, Boston, Campbell and Keene. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Ionia, through their Delinquent Tax Revolving Fund, advance all delinquent real property taxes at March 1 to the District each year prior to June 30. Delinquent personal property taxes receivable are detailed as follows:

<b>Tax Year</b>	<b>General</b>	<b>Debt Service</b>	<b>Total</b>
2005	\$ 14,608	\$ 6,023	\$ 20,631
2004	2,390	550	2,940
2003	5,696	1,952	7,648
	<u>\$ 22,694</u>	<u>\$ 8,525</u>	<u>\$ 31,219</u>

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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Taxes uncollected after three years from the date of levy, unless material in amount, are written off the books of the District.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Lowell Area Schools' electors had previously (September 24, 1991) approved an operating millage extension for the 18 mill non-homestead property tax. Only 17.5544 mills was levied in the District for 2005 due to reductions caused by the Headlee Amendment.

The District levied 7.0 mills in 2005 for debt service purposes, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A, taxable property is now divided into two categories: homestead and non-homestead.

Homestead property is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage", nor any additional voted millage for the retirement of debt.

Non-homestead property is considered to be all property not qualifying for a homestead exemption, which includes all commercial and industrial property. Non-homestead property is subject to all District levies.

**Note D – Interfund Receivables/Payables and Transfers**

Amounts due from (to) other funds representing interfund receivables and payables for cash flow advances at June 30, 2006 are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
<b>General Fund:</b>		
Trust and Agency Funds:		
Flexible Benefits Fund	\$ 5,000	\$ —
<b>Debt Service Funds:</b>		
1990 Debt Fund:		
2000 Debt Fund	—	22,000
2000 Debt Fund:		
1990 Debt Fund	22,000	—
<b>Trust and Agency Funds:</b>		
Flexible Benefits Fund:		
General Fund	—	5,000
<b>Total All Funds</b>	<u>\$ 27,000</u>	<u>\$ 27,000</u>

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

Transfers between funds during the year ended June 30, 2006 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>General Fund</b>		
Special Revenue Funds:		
Food Service Fund	\$ —	\$ 438
Athletics Fund	—	291,145
	—	291,583
<b>Special Revenue Funds</b>		
Food Service Fund:		
General Fund	438	—
Athletics Fund:		
General Fund	291,145	—
	291,583	—
 Total All Funds	 \$ 291,583	 \$ 291,583

The General Fund transfer to the Athletic fund was made to pay the General Fund's share of support for the athletic program for the fiscal year and the transfer to the Food Service Fund was made to move State "At Risk" monies to the food service program.

**Note E – Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Balances July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2006</u>
Capital assets not depreciated:				
Land	\$ 1,022,158	\$ —	\$ —	\$ 1,022,158
Construction in progress	2,298,607	—	2,298,607	—
Capital assets being depreciated:				
Land improvements	1,286,891	37,869	—	1,324,760
Buildings and additions	51,752,675	2,343,156	—	54,095,831
Furniture and equipment	1,189,941	—	—	1,189,941
Vehicles	2,206,205	192,336	83,416	2,315,125
 Totals at historical cost	 59,756,477	 \$2,573,361	 \$2,382,023	 59,947,815
 Less accumulated depreciation for:				
Land improvements	665,733	\$ 61,520	\$ —	727,253
Buildings and additions	15,917,282	1,199,648	—	17,116,930
Furniture and equipment	563,629	95,768	—	659,397
Vehicles	1,540,374	174,419	83,416	1,631,376
 Total accumulated depreciation	 18,687,018	 \$ 1,531,264	 \$ 83,416	 20,134,866
 <b>Net Capital Assets</b>	 <u>\$ 41,069,459</u>			 <u>\$ 39,812,949</u>

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,077,741
Supporting services	268,990
Community services	40,163
Food service	61,543
Athletics	82,827
	<u>\$ 1,531,264</u>

**Note F – Short-term Debt**

On August 20, 2004, the District borrowed \$2,500,000 in anticipation of state aid (interest at 1.57%). The loan was repaid on August 20, 2005. On August 19, 2005, the District borrowed \$2,300,000 in anticipation of State aid (interest at 2.92%). The loan is due to be repaid in full on August 18, 2006. Interest cost on the loans was \$66,973 for the fiscal year.

**Note G – Long-term Debt**

Amounts available and to be provided for outstanding long-term debt at June 30, 2006 are summarized as follows:

	<b>General Obligation Bonds</b>	<b>Durant Non-plaintiff Bonds</b>	<b>Energy Conservation Bonds</b>	<b>Installment Purchase Agreements</b>	<b>Early Retirement Incentive/ Accumulated Sick/Vacation</b>	<b>Total</b>
<b>Amount Available For Retirement Of Long- Term Debt</b>						
Debt Service Funds	\$ 496,493	\$ —	\$ —	\$ —	\$ —	\$ 496,493
<b>Amounts To Be Provided For Retirement Of Long- Term Debt</b>						
State of Michigan	—	351,677	—	—	—	351,677
General Fund	—	—	1,900,000	213,038	1,906,233	4,019,271
Debt Service Funds	44,216,817	—	—	—	—	44,216,817
<b>Total Amounts Available and To Be Provided</b>	<u>\$44,713,310</u>	<u>\$ 351,677</u>	<u>\$ 1,900,000</u>	<u>\$ 213,038</u>	<u>\$ 1,906,233</u>	<u>\$49,084,258</u>

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

Changes in long-term debt for the year ended June 30, 2006 are summarized as follows:

	<b>Debt Outstanding July 1, 2005</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2006</b>
General obligation bonds:				
October 6, 1992	\$ 15,598,310	\$ —	\$ —	\$ 15,598,310
June 3, 1997	16,545,000	—	2,415,000	14,130,000
November 1, 2000	1,950,000	—	325,000	1,625,000
March 25, 2004	3,565,000	—	125,000	3,440,000
June 29, 2005	10,025,000	—	105,000	9,920,000
Durant non-plaintiff bonds:				
November 13, 1998	380,506	—	28,829	351,677
Energy conservation bonds:				
August 1, 2004	2,100,000	—	200,000	1,900,000
Installment purchase agreements	174,900	174,000	135,862	213,038
Early retirement incentive	1,980,088	—	553,921	1,426,167
Accumulated vacation pay	108,976	181,825	168,459	122,342
Accumulated sick leave	333,960	67,923	44,159	357,724
	<u>\$ 52,761,740</u>	<u>\$ 423,748</u>	<u>\$ 4,101,230</u>	<u>\$ 49,084,258</u>

Long-term bonds and installment purchase agreements outstanding at June 30, 2006 are comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
Serial Bonds:				
\$16,545M 1997 Crossover Refunding:				
Annual maturities of \$2,800M to \$4,310M	June 3, 2010	5.20 – 6.00	\$14,130,000	\$2,800,000
\$13,015M 2000 Building and Site:				
Annual maturities of \$325M	Nov. 1, 2011	4.65 – 5.875	1,625,000	325,000
\$3,565M 2004 Building and Site:				
Annual maturities of \$140M to \$150M	May 1, 2029	Variable	3,440,000	140,000
\$10,025M 2005 Refunding:				
Annual maturities of \$35M to \$665M	May 1, 2030	3.00 - 5.00	9,920,000	35,000
Capital Appreciation Bonds:				
\$15,598,310 1992 General Obligation:				
Annual maturities of \$1,490M to \$1,645M	Oct. 6, 2020	6.35 – 6.40	15,598,310	—
<b>Durant Non-plaintiff Bonds</b>				
\$595,596 1998 School Improvement:				
Annual maturities of \$30M to \$142M	May 15, 2013	4.761353	351,677	30,195

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>Energy Conservation Improvement Bonds</b>				
\$2,300M 2004 Improvement:				
Annual maturities of \$210M to \$270M	May 1, 2014	2.75 – 4.25	\$ 1,900,000	\$ 210,000
<b>Installment Purchase Agreements</b>				
\$110M 2003 School Buses:				
Annual maturities of \$22,000	Jan. 21, 2008	3.25	44,000	22,000
\$59M 2004 School Buses:				
Annual maturities of \$5,900 to \$11,800	Jan. 19, 2009	3.50	41,300	11,800
\$174M 2005 School Buses:				
Annual maturities of \$10,000 to \$60,000	Aug. 17, 2008	3.27	127,738	58,041
			<u>\$47,178,025</u>	<u>\$3,632,036</u>

The annual requirements to pay principal and interest on long-term bonds and installment purchase agreements outstanding are as follows:

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2007	\$ 3,632,036	\$ 1,460,234	\$ 5,092,270
2008	4,125,016	1,264,106	5,389,122
2009	4,545,068	1,064,646	5,609,714
2010	5,203,190	872,808	6,075,998
2011	2,280,738	3,822,470	6,103,208
2012	2,310,202	4,126,261	6,436,463
2013	2,332,412	4,466,778	6,799,190
2014	2,313,292	4,837,736	7,151,028
2015	2,049,303	5,279,425	7,328,728
2016	2,093,790	5,778,272	7,872,062
2017	2,086,499	6,258,124	8,344,623
2018	2,124,757	6,798,396	8,923,153
2019	2,142,135	7,398,693	9,540,828
2020	2,159,587	8,049,158	10,208,745
2021	790,000	333,090	1,123,090
2022	815,000	298,803	1,113,803
2023	810,000	263,228	1,073,228
2024	805,000	227,928	1,032,928
2025	805,000	192,806	997,806
2026	795,000	162,338	957,338

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

Year Ended June 30	Principal	Interest	Total
2027	\$ 785,000	\$ 132,278	\$ 917,278
2028	780,000	98,211	878,211
2029	775,000	64,367	839,367
2030	620,000	31,000	651,000
	\$47,178,025	\$63,281,152	\$110,459,177

On June 29, 2005, the District issued \$10,025,000 in general obligation bonds to advance refund \$9,475,000 of outstanding 2000 general obligation bonds. The net proceeds were deposited with an escrow agent and used to purchase United States government securities. Under the terms of the agreement these securities, together with the interest earned to maturity, will be sufficient to pay principal and interest as it becomes due. This procedure relieves the District from being primarily liable for the debt and the District is virtually assured of not being required to make further payments with respect to the debt. These funds are not commingled with other funds and cannot be redeemed prior to maturity. Any excess funds will be returned to the District upon final payment of principal and interest (Scheduled to be May 1, 2010). This defeasance procedure allows the District to remove the related assets and liabilities from its financial statements, which it has done. The assets, now held by the escrow agent to be used for the remaining principal and interest due of \$11,563,875 on the defeased debt at June 30, 2006 are detailed in the following schedule:

	Cost	Market Value	Par Value
U.S. Government Securities	\$10,029,430	\$10,029,430	\$10,029,430

## **Note H – Retirement Plan**

Substantially all District employees participate in the Michigan Public School Employees' Retirement System (MPERS), a statewide, cost sharing, multiple employer defined benefit public employee retirement system governed by the State of Michigan. The District's payroll for employees covered by MPERS for the year ended June 30, 2006 was \$16,796,471. A Basic Plan member may retire at age 55 with 30 or more years of credited service or at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 1½ percent of a member's final average compensation multiplied by his/her number of years of credited service. Final average compensation is the employee's average salary over the last 5 years of credited service. Vested employees may retire at or after age 55 with 15 years of service and receive reduced retirement benefits.

School districts in the State of Michigan are required to contribute at a rate, annually determined by the State of Michigan, of covered employees' compensation to the MPERS plan. The contribution rate was 14.87% for the fiscal year ending September 30, 2005 and 16.34% for the fiscal year beginning October 1, 2005. The District's contributions to the plan for the fiscal years ended June 30, 2006, 2005 and 2004 were \$2,718,518, \$2,605,322, \$2,367,869, respectively.

**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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The "actuarial accrued liability" is a standardized disclosure method of the present value of pension benefits, adjusted for the effects of projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MPSERS' funding status on a going concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems and employers.

The MPSERS does not make separate measurements of assets and actuarial accrued liability for individual schools. The actuarial accrued liability at September 30, 2004 (the latest reporting date available expressed as \$ in millions) for the MPSERS as a whole, determined through an actuarial valuation performed as of that date, was \$46,317. The MPSERS' net assets available for benefits on that date were \$38,784 leaving an unfunded pension benefit obligation of \$7,533. Ten year historical trend information showing the MPSERS' progress in accumulating sufficient assets to pay benefits when due is presented in the September 30, 2005 Annual Report of the MPSERS, which may be obtained by contacting the System at P.O. Box 30171, Lansing, Michigan 48909-7671.

The total actuarial accrued liability (expressed as \$ in millions) increased by \$1,548 from September 30, 2003 to September 30, 2004. Not included in the pension benefit obligation above is any future obligation attributable to health, dental and vision insurance benefits which are funded on a cash disbursement basis. With the passage of Act 279 of 1996, making permanent the cash basis financing of health, dental and vision benefits, actuarially calculated liabilities for these benefits are no longer disclosed on the balance sheets.

Prior to January 1, 1990, participating employees could elect coverage under either the noncontributory Basic Plan or the contributory Member Investment Plan (MIP). Effective January 1, 1990, all new employees are automatically enrolled in MIP. Participants in MIP, who receive benefits in addition to those available under the Basic Plan, contribute a percentage of salary. The graduated contribution rate is based on total wages and is calculated at 3% of the first \$5,000; 3.6% of the next \$10,000; and 4.3% of all wages over \$15,000. MIP members may retire at any age with 30 years of service, or at age 60 with 5 years of service, with benefits based on a final average compensation period of 5 years for members of the Basic Retirement Plan and 3 years for members of the MIP Retirement Plan.

Post-employment benefits for health, dental, and vision insurance are available at retirement through the MPSERS. Retirees contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental and vision coverage. Required contributions for post-employment health care benefits are included as part of the District's total contribution to the MPSERS as discussed above.

### **Note I – Risk Management and Benefits**

The District is a member of the West Michigan Risk Management Trust, a self-insurance program with districts pooling together to insure property, liability and auto exposure. Premiums from members of the Trust are determined through standard underwriting procedures. The members of the Trust have contributed amounts sufficient to fund individual and aggregate losses up to \$175,000 and \$865,000, respectively, on an annual basis. Excess insurance has been purchased to cover claims exceeding those amounts. A \$1,000 per occurrence deductible for property losses is maintained. The District paid \$138,255 in premiums to the Trust for the year ended June 30, 2006.

Health, life, workers' compensation and other employee insurance is provided by private insurance carriers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



**LOWELL AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2006**

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**Note J – Stewardship, Compliance and Accountability**

The following District funds had actual expenditures exceed final budgeted expenditures for the year ended June 30, 2006, as follows:

	<b>Budget</b>	<b>Actual</b>	<b>Unfavorable Variance</b>
General Fund	\$ 31,799,227	\$ 31,847,316	\$ 48,089
Athletics Special Revenue Fund	572,984	574,174	1,190

## **SUPPLEMENTAL INFORMATION**

## **GENERAL FUND**

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Balance Sheet**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 2,778,404	\$ 3,005,810
Receivables:		
Taxes	22,694	40,670
Accounts	5,077	57,736
Due from other funds	5,000	5,100
Due from other governmental units	5,242,530	4,809,468
Inventory	32,492	21,831
Prepaid expenditures	10,001	70,000
	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<u><u>\$ 8,096,198</u></u>	<u><u>\$ 8,010,615</u></u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 604,732	\$ 594,948
State aid loan payable	2,300,000	2,500,000
Due to other funds	-	9,500
Due to other governmental units	743,494	615,180
Accrued interest payable	66,973	39,141
Salaries payable	1,714,367	2,090,813
Deferred revenue	22,694	40,670
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<u>5,452,260</u>	<u>5,890,252</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>2,643,938</u>	<u>2,120,363</u>
	<u>                    </u>	<u>                    </u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 8,096,198</u></u>	<u><u>\$ 8,010,615</u></u>

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Local sources:		
Property taxes:		
Current property taxes	\$ 2,699,261	\$ 2,594,040
Delinquent property taxes	13,903	8,983
Other property taxes	6,036	6,591
Interest on delinquent taxes	11,619	10,545
	<u>2,730,819</u>	<u>2,620,159</u>
Interest earnings:		
Interest on deposits	77,694	53,421
Other local revenue:		
Community enrichment fees	125,762	112,368
Summer school fees	26,723	26,478
Driver education fees	81,115	59,525
Transportation reimbursements	14,266	10,753
Third party testing	23,150	23,041
Universal service fund	49,904	44,665
Beverage consortium commissions	86,341	80,541
Copy center charges	100,167	-
Indirect cost reimbursement	8,997	-
Rental of school facilities	33,482	28,033
Donations	364,180	322,740
Sale of school property	2,338	7,480
Insurance claims/reimbursements	47,963	38,297
Custodial/security reimbursements	34,782	42,392
Refunds of expenditures	65,039	24,442
Miscellaneous	11,134	10,991
	<u>1,075,343</u>	<u>831,746</u>
Total local sources	3,883,856	3,505,326
State sources:		
State aid	24,766,652	23,795,439
Driver education	-	1,621
School improvement	2,741	2,741
Other	2,524	2,574
	<u>24,771,917</u>	<u>23,802,375</u>
Total state sources	24,771,917	23,802,375
Federal sources:		
Title I	264,176	164,493
Title II A	90,691	120,035
Title II D	4,928	4,180
Title V	1,585	2,375
I.D.E.A. program	679,670	689,673
Technological education	25,193	23,224
Medicaid - school based	4,551	1,398
Drug free schools	6,668	10,771
Homeland security grant	-	13,200
	<u>1,077,462</u>	<u>1,029,349</u>
Total federal sources	1,077,462	1,029,349

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Revenues**  
**For the years ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Interdistrict sources:		
Special education - county	\$ 1,563,444	\$ 1,464,320
Special education - transportation	965,763	859,773
Special education - itinerants	79,198	-
Career preparation	-	22,500
Durant settlement reimbursements	30,484	12,250
Medicaid fee for service	116,350	18,464
Total interdistrict sources	<u>2,755,239</u>	<u>2,377,307</u>
<b>Total Revenues</b>	<u><u>\$ 32,488,474</u></u>	<u><u>\$ 30,714,357</u></u>

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries:		
Teachers	\$ 3,830,538	\$ 4,210,721
Other	2,444	3,786
Paraprofessionals	144,519	144,451
Substitutes	50,836	58,770
Employee benefits:		
Employee insurance	726,243	727,083
Early retirement incentive	215,390	41,515
Special allowances	4,923	1,390
Retirement	653,213	647,333
Social Security	310,936	340,490
Workers' compensation	4,656	11,049
Unemployment insurance	2,854	4,324
Cash in lieu of benefits	76,833	77,589
Local travel	564	1,467
Equipment repair and maintenance	2,426	3,733
Teaching supplies	239,916	210,189
Textbooks	1,854	883
New equipment and furniture	-	6,934
	6,268,145	6,491,707
Middle school:		
Salaries:		
Teachers	2,038,023	2,227,992
Other	8,199	5,090
Paraprofessionals	14,206	31,570
Substitutes	41,845	40,400
Employee benefits:		
Employee insurance	481,493	460,365
Early retirement incentive	158,760	-
Special allowances	1,954	1,015
Retirement	339,169	336,804
Social Security	159,792	176,181
Workers' compensation	2,138	4,540
Unemployment insurance	798	-
Cash in lieu of benefits	7,968	11,764
Local travel	615	92
Workshops and conferences	555	240
Equipment repair and maintenance	2,679	7,916
Teaching supplies	142,870	162,556
Textbooks	7,464	1,174
New equipment and furniture	21,319	3,106
	3,429,847	3,470,805
High school:		
Salaries:		
Teachers	3,093,283	3,081,207
Other	45,588	47,888
Paraprofessionals	52,213	61,229
Substitutes	54,430	45,827

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
High school: (Continued)		
Employee benefits:		
Employee insurance	\$ 685,844	\$ 639,102
Early retirement incentive	113,755	-
Special allowances	3,807	2,475
Retirement	524,693	473,279
Social Security	250,062	248,245
Workers' compensation	3,391	6,258
Unemployment insurance	615	5,732
Cash in lieu of benefits	45,965	33,622
Contracted services	5,472	4,700
Workshops and conferences	173	696
Tuition	13,607	10,551
Equipment repair and maintenance	10,702	25,803
Equipment rentals	-	246
Vehicle rental	6,710	10,164
Teaching supplies	172,323	216,367
Textbooks	13,075	24,335
Miscellaneous supplies	426	946
New equipment and furniture	16,641	28,748
	<u>5,112,775</u>	<u>4,967,420</u>
Preschool:		
Salaries:		
Teachers	18,923	15,428
Paraprofessionals	7,928	6,970
Substitutes	896	798
Employee benefits:		
Employee insurance	4,895	1,093
Retirement	4,499	3,314
Social Security	2,005	1,736
Cash in lieu of benefits	733	-
Local travel	201	77
Workshops and conferences	233	276
Land and building repair and maintenance	2,290	-
Teaching supplies	898	771
New equipment and furniture	282	9,500
	<u>43,783</u>	<u>39,963</u>
Summer school:		
Salaries:		
Paraprofessionals	5,774	5,681
Other	31,079	32,156
Employee benefits:		
Retirement	5,685	5,325
Social Security	2,817	2,964
Teaching supplies	1,668	4,103
	<u>47,023</u>	<u>50,229</u>
Total basic programs	14,901,573	15,020,124

(Continued)



**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Added needs:		
Special education:		
Salaries:		
Teachers	\$ 1,399,774	\$ 1,414,382
Paraprofessionals	270,088	287,688
Substitutes	35,829	59,059
Employee benefits:		
Employee insurance	350,874	319,146
Early retirement incentive	21,156	38,949
Retirement	276,387	257,098
Social Security	128,882	133,214
Workers' compensation	4,082	2,784
Cash in lieu of benefits	10,260	13,093
Purchased services	11,423	27,926
Local travel	499	457
Workshops and conferences	-	1,408
Teaching supplies	51,199	41,240
Textbooks	2,396	-
Miscellaneous supplies	-	5,164
	<u>2,562,849</u>	<u>2,601,608</u>
Compensatory education:		
Salaries:		
Teachers	316,420	305,909
Other	1,377	2,488
Substitutes	-	1,405
Employee benefits:		
Employee insurance	80,633	71,326
Retirement	49,132	45,304
Social Security	24,334	23,565
Cash in lieu of benefits	1,710	-
Purchased services	500	-
Workshops and conferences	16,244	4,250
Teaching supplies	77,215	15,059
Miscellaneous	755	1,125
Indirect cost recovery	8,997	-
	<u>577,317</u>	<u>470,431</u>
Vocational education:		
Salaries:		
Teachers	45,631	116,073
Substitutes	1,330	-
Employee benefits:		
Employee insurance	13,662	25,602
Retirement	7,415	16,989
Social Security	3,593	8,931
Purchased services	6,000	6,000
Local travel	1,259	293
Workshops and conferences	630	765
Teaching supplies	7,512	4,596
New equipment and furniture	3,680	1,216
	<u>90,712</u>	<u>180,465</u>
Total added needs	<u>3,230,878</u>	<u>3,252,504</u>

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Adult education:		
Basic education:		
Teachers salaries	\$ 14,833	\$ 12,152
Employee benefits:		
Retirement	2,413	1,797
Social Security	1,126	929
Advertising	22	186
Teaching supplies	-	757
Textbooks	241	-
Miscellaneous supplies	106	77
Total adult education	18,741	15,898
Pupil services:		
Guidance services:		
Salaries:		
Counselors	298,789	296,384
Other	40,184	39,081
Clerical	53,851	61,659
Substitutes	1,562	1,318
Employee benefits:		
Employee insurance	72,468	70,108
Retirement	64,418	58,220
Social Security	30,728	30,577
Workers' compensation	657	657
Cash in lieu of benefits	7,866	6,817
Purchased services	1,270	19,345
Local travel	4,414	2,650
Workshops and conferences	6,187	2,595
Printing and binding	142	56
Equipment repair and maintenance	580	803
Teaching supplies	24,146	31,259
Other supplies and materials	2,795	3,300
	610,057	624,829
Occupational therapist services:		
Occupational therapist salary	33,914	34,246
Employee benefits:		
Employee insurance	8,178	10,350
Retirement	5,503	5,020
Social Security	2,175	2,361
Local travel	1,911	1,590
Teaching supplies	736	695
	52,417	54,262
Psychological services:		
Psychologists salaries	3,665	(1,428)
Employee benefits:		
Retirement	599	(176)
Social Security	280	(109)
Local travel	1,277	806
Teaching supplies	1,804	5,211
	7,625	4,304

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Speech pathology services:		
Speech pathologists salaries	\$ 34,996	\$ -
Employee benefits:		
Employee insurance	1,322	(88)
Retirement	5,676	-
Social Security	2,908	-
Cash in lieu of benefits	3,282	-
Local travel	1,426	1,380
Teaching supplies	1,716	1,822
	<u>51,326</u>	<u>3,114</u>
Social worker services:		
Social workers salaries	28,626	11,388
Employee benefits:		
Employee insurance	-	(12)
Early retirement incentive	21,671	-
Retirement	65	-
Social Security	2,190	871
Local travel	953	1,034
Teaching supplies	1,798	1,182
	<u>55,303</u>	<u>14,463</u>
Teacher consultant services:		
Local travel	865	994
Teaching supplies	3,261	6,014
	<u>4,126</u>	<u>7,008</u>
Total pupil services	780,854	707,980
Instructional staff services:		
Improvement of instruction:		
Salaries:		
Assistant superintendent	95,056	97,522
Other	64,940	174,133
Clerical	37,787	37,412
Substitutes	40,589	35,428
Employee benefits:		
Employee insurance	25,115	54,022
Retirement	33,042	49,628
Social Security	17,554	25,439
Workers' compensation	600	624
Deferred compensation	4,000	4,000
Instructional program improvement	300	670
Local travel	767	1,468
Workshops and conferences	23,555	57,824
Teaching supplies	48,738	103,440
Office supplies	599	3,007
Other supplies and materials	3,611	8,790
Dues and fees	2,107	5,247
	<u>398,360</u>	<u>658,654</u>
Library:		
Salaries:		
Director	70,609	-
Media specialists	37,419	202,564
Assistants	75,443	72,505

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Library: (Continued)		
Employee benefits:		
Employee insurance	\$ 11,986	\$ 32,127
Early retirement incentive	44,830	-
Retirement	29,757	40,301
Social Security	14,350	21,053
Workers' compensation	440	440
Cash in lieu of benefits	4,104	3,590
Instructional services	3,618	3,709
Local travel	67	273
Workshops and conferences	55	-
Printing and binding	135	1,361
Equipment repair and maintenance	8,677	6,701
Library books	30,867	22,610
Periodicals	37	3,617
Other supplies and materials	59,037	12,663
New equipment and furniture	728	-
	392,159	423,514
Supervision and direction of instruction:		
Salaries:		
Director	1,858	80,589
Clerical	38,511	38,904
Employee benefits:		
Employee insurance	10,527	11,918
Retirement	6,094	14,920
Social Security	3,048	8,776
Workers' compensation	283	307
Cash in lieu of benefits	-	1,465
Deferred compensation	-	2,400
Contracted services	83,652	-
Local travel	1,186	1,328
Workshops and conferences	75	-
Teaching supplies	1,013	3,112
Dues and fees	75	84
	146,322	163,803
Other instructional staff services:		
Salaries:		
Other	8,059	4,399
Substitutes	-	75
Employee benefits:		
Retirement	1,308	665
Social Security	606	343
Purchased services	1,992	2,066
Teaching supplies	-	28
	11,965	7,576
Total instructional staff services	948,806	1,253,547
General administrative services:		
Board of education:		
Board members salaries	2,100	2,100
Purchased services	15,317	46,194

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Board of education: (Continued)		
Legal services	\$ 42,870	\$ 43,484
Audit services	25,200	24,475
Election workers	10,212	5,628
Local travel	100	338
Workshops and conferences	363	731
Miscellaneous supplies	1,653	1,751
Dues and fees	5,744	6,037
Miscellaneous	10,222	9,767
	<u>113,781</u>	<u>140,505</u>
Executive administration:		
Salaries:		
Superintendent	130,301	123,497
Clerical	121,557	101,017
Employee benefits:		
Employee insurance	40,519	43,473
Retirement	27,163	32,260
Social Security	17,670	19,627
Workers' compensation	342	365
Deferred compensation	17,666	5,000
Purchased services	4,491	5,868
Workshops and conferences	784	2,938
Mailing and postage	9,637	8,506
Public relations	19,699	19,402
Equipment repair and maintenance	2,946	2,347
Rentals	929	2,003
Miscellaneous supplies	5,537	6,728
New equipment and furniture	-	10,739
Dues and fees	3,744	3,983
	<u>402,985</u>	<u>387,753</u>
Total general administrative services	516,766	528,258
School administrative services:		
Office of the principal:		
Salaries:		
Principals	855,162	792,548
Clerical	309,727	299,322
Paraprofessionals	112,193	114,660
Employee benefits:		
Employee insurance	256,530	243,270
Retirement	208,130	180,072
Social Security	97,292	91,942
Workers' compensation	2,305	2,662
Cash in lieu of benefits	15,286	13,406
Deferred compensation	36,000	36,000
Contracted services	518	16,898
Local travel	6,471	6,186
Workshops and conferences	1,810	622
Mailing and postage	19,227	15,586
Equipment repair and maintenance	10,476	11,634
Office supplies	38,698	35,901

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Office of the principal: (Continued)		
Other supplies and materials	\$ 2,878	\$ 4,788
New equipment and furniture	125	-
Dues and fees	6,145	5,667
Miscellaneous	1,000	1,725
Total school administrative services	1,979,973	1,872,889
Business services:		
Fiscal services:		
Salaries:		
Associate superintendent	97,304	93,925
Accounting	171,532	187,390
Employee benefits:		
Employee insurance	77,365	84,356
Deferred compensation	6,000	6,000
Retirement	43,757	40,442
Social Security	20,453	20,908
Workers' compensation	709	732
Cash in lieu of benefits	4,104	2,593
Purchased services	48,599	39,936
Local travel	951	1,101
Workshops and conferences	2,243	1,668
Equipment repair and maintenance	(10,957)	(3,971)
Miscellaneous supplies	108,329	2,554
New equipment and furniture	250	-
Dues and fees	1,252	1,531
Miscellaneous	1,562	1,779
	573,453	480,944
Internal services:		
Other salaries	45	34,965
Employee benefits:		
Employee insurance	-	12,930
Retirement	7	4,761
Social Security	3	2,663
Workers' compensation	-	946
Workshops and conferences	16,866	-
	16,921	56,265
Other business services:		
Student insurance	1,906	1,906
Interest expense	66,973	39,141
Dues and fees	10,018	10,372
Tax refunds	87,994	73,471
	166,891	124,890
Total business services	757,265	662,099
Operation and maintenance services:		
Operation and maintenance:		
Salaries:		
Director	10,000	10,000
Custodial	705,056	719,687
Other	116,344	118,179

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Operation and maintenance: (Continued)		
Employee benefits:		
Employee insurance	\$ 275,395	\$ 260,831
Retirement	133,264	122,266
Social Security	64,106	65,283
Workers' compensation	19,811	22,831
Cash in lieu of benefits	7,524	6,142
Purchased services	132,182	111,346
Workshops and conferences	-	101
Telephone	79,660	78,170
Water and sewer	82,520	83,445
Waste and trash disposal	25,844	23,705
Property and liability insurance	138,255	147,598
Land/building repair and maintenance	319,888	258,717
Equipment repair and maintenance	15,600	16,140
Vehicle repair and maintenance	5,270	4,058
Heating	283,006	238,412
Electricity	427,052	448,320
Other supplies and materials	58,590	49,259
New equipment and furniture	105,424	18,820
	<u>3,004,791</u>	<u>2,803,310</u>
Security services:		
Security salaries	56,405	77,439
Employee benefits:		
Employee insurance	14,655	12,456
Retirement	8,890	11,004
Social Security	4,313	5,907
Workers' compensation	1,493	1,846
Purchased services	5,354	9,892
Local travel	-	608
Other supplies and materials	2,194	6,857
New equipment and furniture	18,436	9,760
	<u>111,740</u>	<u>135,769</u>
Total operation and maintenance services	3,116,531	2,939,079
Pupil transportation services:		
Pupil transportation:		
Salaries:		
Director	61,550	56,779
Drivers	566,090	551,656
Mechanics	83,352	83,586
Clerical	52,393	52,284
Other	2,623	6,276
Longevity payments	4,885	4,660
Employee benefits:		
Employee insurance	195,200	247,875
Medical reimbursements	2,724	2,887
Retirement	126,023	108,354
Social Security	59,671	58,076
Workers' compensation	21,735	21,899
Unemployment insurance	11,257	-

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Pupil transportation: (Continued)		
Employee benefits: (Continued)		
Cash in lieu of benefits	\$ 5,643	\$ 4,547
Deferred compensation	4,000	4,000
Purchased services	3,373	-
Local travel	2,400	2,400
Workshops and conferences	342	2,415
Telephone	-	128
Equipment repair and maintenance	4,215	4,264
Vehicle repair and maintenance	83,465	82,773
Other purchased services	-	5,722
Gasoline, oil and grease	207,629	154,725
Tires, tubes and batteries	17,235	12,692
Office supplies	742	1,247
Miscellaneous hardware and tools	918	890
Other supplies and materials	9,992	12,407
New buses	174,350	59,917
Total pupil transportation services	1,701,807	1,542,459
Central services:		
Planning and evaluation:		
Research salary	13,230	12,600
Employee benefits:		
Social Security	1,012	964
Workers' compensation	318	318
Contracted services	78,495	71,995
Workshops and conferences	1,086	1,068
Other supplies and materials	2,689	2,386
	96,830	89,331
Technology services:		
Technicians salaries	208,971	206,515
Employee benefits:		
Employee insurance	48,496	55,905
Retirement	32,535	26,809
Social Security	15,986	15,576
Workers' compensation	4,248	5,148
Contracted services	19,053	4,680
Local travel	2,436	3,891
Workshops and conferences	309	505
Internet access	54,677	61,871
Office supplies	235	105
Other supplies and materials	47,326	78,455
New equipment and furniture	69,047	89,967
Dues and fees	681	98
	504,000	549,525
Other central services:		
Other administrative salaries	-	6,293
Social Security	-	481
	-	6,774
Total central services	600,830	645,630

(Continued)



**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
Community services:		
Community services direction:		
Director salary	\$ 900	\$ 900
Employee benefits:		
Retirement	144	130
Social Security	69	68
Printing and binding	31,127	37,093
	<u>32,240</u>	<u>38,191</u>
Community recreation:		
Salaries:		
Director	44,505	44,697
Teachers	225	175
Coaches	21,385	18,936
Clerical	10,734	-
Students	3,410	2,510
Employee benefits:		
Employee insurance	16,472	17,113
Retirement	12,256	9,107
Social Security	5,946	4,839
Workers' compensation	3,422	4,329
Purchased services	28,080	21,995
Printing and binding	283	87
Equipment repair and maintenance	2,163	14,041
Teaching supplies	1,795	690
Miscellaneous supplies	10,989	7,351
New equipment and furniture	20,158	37,738
	<u>181,823</u>	<u>183,608</u>
Community activities:		
Substitutes salaries	150	-
Employee benefits:		
Retirement	25	-
Social Security	11	-
Contracted services	1,352	1,732
Workshops and conferences	50	-
Teaching supplies	5,629	12,563
	<u>7,217</u>	<u>14,295</u>
Custody and care of children:		
Salaries:		
Director	54,184	54,152
Teachers	350	646
Paraprofessionals	39,278	37,782
Employee benefits:		
Employee insurance	11,230	10,530
Retirement	15,132	13,314
Social Security	7,149	7,070
Local travel	1,027	-
Workshops and conferences	104	-
Teaching supplies	19,553	19,691
Miscellaneous supplies	399	4,091
New equipment and furniture	38,034	-
	<u>186,440</u>	<u>147,276</u>

(Continued)

**LOWELL AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
Other community services:		
Testing salaries	\$ 12,595	\$ 12,493
Employee benefits:		
Employee insurance	2,010	1,789
Retirement	951	930
Purchased services	3,748	7,678
Miscellaneous supplies	406	183
	<u>19,710</u>	<u>23,073</u>
Total community services	427,430	406,443
Debt service:		
Principal repayment	335,862	345,373
Interest expense	85,807	71,109
Total debt service	421,669	416,482
Interdistrict:		
Special education tuition	339,832	295,002
Special education transportation	1,129,504	973,343
Special education itinerants	974,857	1,011,135
Total interdistrict	<u>2,444,193</u>	<u>2,279,480</u>
<b>Total Expenditures</b>	<u><u>\$ 31,847,316</u></u>	<u><u>\$ 31,542,872</u></u>

## **NONMAJOR FUNDS**

**LOWELL AREA SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2006**

	Special Revenue	
	Food Service	Athletics
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 49,501	\$ 26,987
Receivables:		
Taxes	-	-
Accounts	2,249	384
Due from other funds	-	-
Due from other governmental units	11,084	-
Inventory	16,266	-
Prepaid expenditures	60,000	-
<b>Total Assets</b>	<b>\$ 139,100</b>	<b>\$ 27,371</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 16,391	\$ 816
Due to other funds	-	-
Due to other governmental units	-	970
Salaries payable	-	4,045
Deferred revenue	-	-
<b>Total Liabilities</b>	<b>16,391</b>	<b>5,831</b>
<b>Fund balances</b>		
Reserved for debt service	-	-
Reserved for capital outlay	-	-
Unreserved:		
Undesignated	122,709	21,540
<b>Total Fund Balances</b>	<b>122,709</b>	<b>21,540</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 139,100</b>	<b>\$ 27,371</b>

Debt Service					Capital Projects 2004 Construction	Total
1990	2000	2004	2005	Durant		
\$ 1,626	\$ 52,692	\$ 422,219	\$ 31,145	\$ -	\$ 215,625	\$ 799,795
5,998	1,034	805	688	-	-	8,525
-	-	-	-	-	-	2,633
-	22,000	-	-	-	-	22,000
-	-	-	-	-	-	11,084
-	-	-	-	-	-	16,266
-	-	-	-	-	-	60,000
<u>\$ 7,624</u>	<u>\$ 75,726</u>	<u>\$ 423,024</u>	<u>\$ 31,833</u>	<u>\$ -</u>	<u>\$ 215,625</u>	<u>\$ 920,303</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,207
22,000	-	-	-	-	-	22,000
60	18	11,111	-	-	-	12,159
-	-	-	-	-	-	4,045
5,998	1,034	805	688	-	-	8,525
<u>28,058</u>	<u>1,052</u>	<u>11,916</u>	<u>688</u>	<u>-</u>	<u>-</u>	<u>63,936</u>
(20,434)	74,674	411,108	31,145	-	-	496,493
-	-	-	-	-	215,625	215,625
-	-	-	-	-	-	144,249
<u>(20,434)</u>	<u>74,674</u>	<u>411,108</u>	<u>31,145</u>	<u>-</u>	<u>215,625</u>	<u>856,367</u>
<u>\$ 7,624</u>	<u>\$ 75,726</u>	<u>\$ 423,024</u>	<u>\$ 31,833</u>	<u>\$ -</u>	<u>\$ 215,625</u>	<u>\$ 920,303</u>

**LOWELL AREA SCHOOLS**  
**Combining Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2006**

	Special Revenue	
	Food Service	Athletics
<b>Revenues</b>		
Local sources:		
Property taxes	\$ -	\$ -
Interest earnings	3,637	2,073
Sales and admissions	840,663	261,991
Total local sources	844,300	264,064
State sources	71,612	-
Federal sources	346,976	-
<b>Total Revenues</b>	<b>1,262,888</b>	<b>264,064</b>
<b>Expenditures</b>		
Current:		
Food service	1,144,888	-
Athletics	-	574,174
Capital outlay	-	-
Debt service:		
Principal repayment	-	-
Interest and fiscal charges	-	-
<b>Total Expenditures</b>	<b>1,144,888</b>	<b>574,174</b>
<b>Excess (Deficiency) of Revenues         Over Expenditures</b>	<b>118,000</b>	<b>(310,110)</b>
<b>Other Financing Sources</b>		
Transfers in	438	291,145
<b>Net Change in Fund Balances</b>	<b>118,438</b>	<b>(18,965)</b>
<b>Fund Balances, July 1</b>	<b>4,271</b>	<b>40,505</b>
<b>Fund Balances, June 30</b>	<b>\$ 122,709</b>	<b>\$ 21,540</b>

Debt Service					Capital Projects 2004 Construction	Total
1990	2000	2004	2005	Durant		
\$ 3,035,414	\$ 388,353	\$ 580,492	\$ 515,906	\$ -	\$ -	\$ 4,520,165
44,513	17,076	8,948	2,498	-	8,290	87,035
-	-	-	-	-	-	1,102,654
3,079,927	405,429	589,440	518,404	-	8,290	5,709,854
-	-	-	-	41,825	-	113,437
-	-	-	-	-	-	346,976
3,079,927	405,429	589,440	518,404	41,825	8,290	6,170,267
-	-	-	-	-	-	1,144,888
-	-	-	-	-	-	574,174
-	-	-	-	-	32,452	32,452
2,415,000	325,000	125,000	105,000	28,829	-	2,998,829
912,651	100,994	111,886	382,259	12,996	-	1,520,786
3,327,651	425,994	236,886	487,259	41,825	32,452	6,271,129
(247,724)	(20,565)	352,554	31,145	-	(24,162)	(100,862)
-	-	-	-	-	-	291,583
(247,724)	(20,565)	352,554	31,145	-	(24,162)	190,721
227,290	95,239	58,554	-	-	239,787	665,646
\$ (20,434)	\$ 74,674	\$ 411,108	\$ 31,145	\$ -	\$ 215,625	\$ 856,367

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2006**

	Budget	Actual	Variance - Positive (Negative)
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ 3,478	\$ 3,637	\$ 159
Sales and admissions	840,184	840,663	479
Total local sources	843,662	844,300	638
State sources	72,050	71,612	(438)
Federal sources	346,350	346,976	626
<b>Total Revenues</b>	<b>1,262,062</b>	<b>1,262,888</b>	<b>826</b>
<b>Expenditures</b>			
Current:			
Food service	1,186,558	1,144,888	41,670
<b>Excess of Revenues Over Expenditures</b>	<b>75,504</b>	<b>118,000</b>	<b>42,496</b>
<b>Other Financing Sources</b>			
Transfers in	-	438	438
<b>Net Change in Fund Balances</b>	<b>75,504</b>	<b>118,438</b>	<b>42,934</b>
<b>Fund Balances, July 1</b>	<b>4,271</b>	<b>4,271</b>	<b>-</b>
<b>Fund Balances, June 30</b>	<b>\$ 79,775</b>	<b>\$ 122,709</b>	<b>\$ 42,934</b>



**LOWELL AREA SCHOOLS**  
**Athletics Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
<b>Revenues</b>			
Local sources:			
Interest earnings	\$ 2,070	\$ 2,073	\$ 3
Sales and admissions	262,197	261,991	(206)
<b>Total Revenues</b>	<u>264,267</u>	<u>264,064</u>	<u>(203)</u>
<b>Expenditures</b>			
Current:			
Athletics	572,984	574,174	(1,190)
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(308,717)</u>	<u>(310,110)</u>	<u>(1,393)</u>
<b>Other Financing Sources</b>			
Transfers in	291,145	291,145	-
<b>Net Change in Fund Balances</b>	(17,572)	(18,965)	(1,393)
<b>Fund Balances, July 1</b>	<u>40,505</u>	<u>40,505</u>	<u>-</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 22,933</u></u>	<u><u>\$ 21,540</u></u>	<u><u>\$ (1,393)</u></u>

## **SPECIAL REVENUE FUNDS**

*Food Service*—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

*Athletics*—to account for activity receipts and General Fund contributions used in administering the athletic program of the District.

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 49,501	\$ (766)
Accounts receivable	2,249	4,338
Due from other governmental units	11,084	10,503
Inventory	16,266	18,585
Prepaid expenditures	<u>60,000</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 139,100</u></u>	<u><u>\$ 32,660</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 16,391	\$ 25,908
Due to other governmental units	-	456
Salaries payable	<u>-</u>	<u>2,025</u>
<b>Total Liabilities</b>	<u>16,391</u>	<u>28,389</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>122,709</u>	<u>4,271</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 139,100</u></u>	<u><u>\$ 32,660</u></u>

**LOWELL AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
<b>Revenues</b>		
Local sources:		
Sales and admissions:		
Children's lunches	\$ 814,931	\$ 746,634
Adult lunches	25,640	21,771
Other	92	-
	<u>840,663</u>	<u>768,405</u>
Interest earnings:		
Interest on deposits	3,637	353
Total local sources	<u>844,300</u>	<u>768,758</u>
State sources	71,612	75,076
Federal sources	<u>346,976</u>	<u>309,901</u>
<b>Total Revenues</b>	<u>1,262,888</u>	<u>1,153,735</u>
<b>Expenditures</b>		
Current:		
Food service:		
Salaries:		
Food service	289,265	336,766
Drivers	9,861	8,798
Employee benefits:		
Employee insurance	59,535	57,021
Retirement	48,038	50,488
Social Security	22,886	26,304
Workers' compensation insurance	5,237	-
Purchased services	178,070	122,158
Audit services	1,650	1,625
Workshops and conferences	373	62
Equipment repair and maintenance	9,887	11,659
Food	478,440	500,039
Other supplies and materials	41,646	53,274
New equipment and furniture	-	9,810
<b>Total Expenditures</b>	<u>1,144,888</u>	<u>1,178,004</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>118,000</u>	<u>(24,269)</u>
<b>Other Financing Sources</b>		
Transfers in	<u>438</u>	<u>7,350</u>
<b>Net Change in Fund Balances</b>	118,438	(16,919)
<b>Fund Balances, July 1</b>	<u>4,271</u>	<u>21,190</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 122,709</u></u>	<u><u>\$ 4,271</u></u>

**LOWELL AREA SCHOOLS**  
**Athletics Special Revenue Fund**  
**Comparative Balance Sheet**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 26,987	\$ 62,665
Accounts receivable	384	-
<b>Total Assets</b>	<u><u>\$ 27,371</u></u>	<u><u>\$ 62,665</u></u>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 816	\$ 11,461
Due to other governmental units	970	1,967
Salaries payable	4,045	8,732
<b>Total Liabilities</b>	<u>5,831</u>	<u>22,160</u>
<b>Fund Balances</b>		
Unreserved:		
Undesignated	<u>21,540</u>	<u>40,505</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 27,371</u></u>	<u><u>\$ 62,665</u></u>

**LOWELL AREA SCHOOLS**  
**Athletics Special Revenue Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2006 and 2005**

	2006	2005
<b>Revenues</b>		
Local sources:		
Sales and admissions:		
Admissions	\$ 125,891	\$ 143,520
Sports fees and charges	72,395	68,582
Tournament fees	49,313	130,895
Donations	14,392	56,875
Other	-	1,744
	<u>261,991</u>	<u>401,616</u>
Interest earnings:		
Interest on deposits	<u>2,073</u>	<u>1,388</u>
<b>Total Revenues</b>	<u>264,064</u>	<u>403,004</u>
<b>Expenditures</b>		
Current:		
Athletics:		
Salaries:		
Athletic director	77,319	72,223
Trainer	13,360	13,360
Coaches	199,210	195,227
Drivers	17,064	15,383
Clerical	17,178	16,753
Custodial	2,209	1,750
Temporary	1,195	815
Other	10,627	12,322
Employee benefits:		
Employee insurance	24,010	20,632
Retirement	52,212	47,695
Social Security	25,594	24,802
Deferred compensation	4,000	4,000
Officials	27,892	24,886
Workshops and conferences	185	125
Mailing and postage	879	920
Miscellaneous supplies	66,474	97,297
New furniture and equipment	-	15,646
Tournament expense	<u>34,766</u>	<u>105,126</u>
<b>Total Expenditures</b>	<u>574,174</u>	<u>668,962</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(310,110)</u>	<u>(265,958)</u>
<b>Other Financing Sources</b>		
Transfers in	<u>291,145</u>	<u>291,145</u>
<b>Net Change in Fund Balances</b>	<u>(18,965)</u>	<u>25,187</u>
<b>Fund Balances, July 1</b>	<u>40,505</u>	<u>15,318</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 21,540</u></u>	<u><u>\$ 40,505</u></u>

## **DEBT SERVICE FUNDS**

*Debt Service Funds*—To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

**LOWELL AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2006**

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	1990	2000	2004
<b>Assets</b>			
Cash equivalents, deposits and investments	\$ 1,626	\$ 52,692	\$ 422,219
Taxes receivable	5,998	1,034	805
Due from other funds	-	22,000	-
	<u>-</u>	<u>22,000</u>	<u>-</u>
<b>Total Assets</b>	<u>\$ 7,624</u>	<u>\$ 75,726</u>	<u>\$ 423,024</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	\$ 22,000	\$ -	\$ -
Due to other governmental units	60	18	11,111
Deferred revenue	5,998	1,034	805
	<u>28,058</u>	<u>1,052</u>	<u>11,916</u>
<b>Total Liabilities</b>	<u>28,058</u>	<u>1,052</u>	<u>11,916</u>
<b>Fund Balances</b>			
Reserved for debt service	<u>(20,434)</u>	<u>74,674</u>	<u>411,108</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 7,624</u>	<u>\$ 75,726</u>	<u>\$ 423,024</u>



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2005	Durant	Totals	
		2006	2005
\$ 31,145	\$ -	\$ 507,682	\$ 381,163
688	-	8,525	14,943
-	-	22,000	-
<hr/>		<hr/>	
\$ 31,833	\$ -	\$ 538,207	\$ 396,106
<hr/>		<hr/>	

\$ -	\$ -	\$ 22,000	\$ -
-	-	11,189	80
688	-	8,525	14,943
<hr/>		<hr/>	
688	-	41,714	15,023
<hr/>		<hr/>	

31,145	-	496,493	381,083
<hr/>		<hr/>	
\$ 31,833	\$ -	\$ 538,207	\$ 396,106
<hr/>		<hr/>	

**LOWELL AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2006**

	1990	2000	2004
<b>Revenues</b>			
Local sources:			
Property taxes:			
Current property taxes	\$ 3,006,421	\$ 383,798	\$ 575,698
Industrial facilities taxes	16,528	2,110	3,164
Delinquent property taxes	4,175	1,236	85
Interest on delinquent taxes	4,848	755	809
Other taxes	3,442	454	736
	<u>3,035,414</u>	<u>388,353</u>	<u>580,492</u>
Interest earnings:			
Interest on deposits	<u>44,513</u>	<u>17,076</u>	<u>8,948</u>
State sources:			
State school aid	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Revenues</b>	<u>3,079,927</u>	<u>405,429</u>	<u>589,440</u>
<b>Expenditures</b>			
Debt service:			
Principal repayment	2,415,000	325,000	125,000
Interest and fiscal charges:			
Interest expense	904,623	98,963	106,647
Paying agent fees	3,580	687	5,151
Tax refunds	4,448	1,344	88
Bond issuance costs	-	-	-
Underwriter's discount	-	-	-
	<u>3,327,651</u>	<u>425,994</u>	<u>236,886</u>
<b>Total Expenditures</b>	<u>3,327,651</u>	<u>425,994</u>	<u>236,886</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(247,724)</u>	<u>(20,565)</u>	<u>352,554</u>
<b>Other Financing Sources (Uses)</b>			
Refunding bonds issued	-	-	-
Bond premium	-	-	-
Payments to escrow agent	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	(247,724)	(20,565)	352,554
<b>Fund Balances, July 1</b>	<u>227,290</u>	<u>95,239</u>	<u>58,554</u>
<b>Fund Balances, June 30</b>	<u><u>\$ (20,434)</u></u>	<u><u>\$ 74,674</u></u>	<u><u>\$ 411,108</u></u>

2005	Durant	Totals	
		2006	2005
\$ 511,730	\$ -	\$ 4,477,647	\$ 4,165,054
2,813	-	24,615	18,360
-	-	5,496	3,498
710	-	7,122	9,474
653	-	5,285	396
515,906		4,520,165	4,196,782
2,498	-	73,035	38,755
-	41,825	41,825	-
518,404	41,825	4,635,025	4,235,537
105,000	28,829	2,998,829	1,212,028
382,061	12,996	1,505,290	3,019,815
198	-	9,616	19,019
-	-	5,880	1,227
-	-	-	89,120
-	-	-	50,125
487,259	41,825	4,519,615	4,391,334
31,145	-	115,410	(155,797)
-	-	-	10,025,000
-	-	-	333,487
-	-	-	(10,219,242)
-	-	-	139,245
31,145	-	115,410	(16,552)
-	-	381,083	397,635
\$ 31,145	\$ -	\$ 496,493	\$ 381,083

## **CAPITAL PROJECTS FUND**

*2004 Construction* — to account for bond proceeds used to finance building construction and renovation projects.

**LOWELL AREA SCHOOLS**  
**2004 Construction Capital Projects Fund**  
**Comparative Balance Sheet**  
**June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Assets</b>		
Cash equivalents, deposits and investments	\$ 215,625	\$ 230,287
Due from other funds	<u>-</u>	<u>9,500</u>
<b>Total Assets</b>	<u><u>\$ 215,625</u></u>	<u><u>\$ 239,787</u></u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>		
Reserved for capital outlay	<u>215,625</u>	<u>239,787</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 215,625</u></u>	<u><u>\$ 239,787</u></u>

**LOWELL AREA SCHOOLS**  
**2004 Construction Capital Projects Fund**  
**Comparative Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2006 and 2005**

	<u>2006</u>	<u>2005</u>
<b>Revenues</b>		
Interest earnings:		
Interest on deposits	\$ 8,290	\$ 10,917
<b>Expenditures</b>		
Capital outlay:		
Construction manager	3,929	12,972
Consulting services	-	27,416
Architect fees	-	9,305
Buildings and additions	27,058	1,178,083
Site improvements	-	1,911
Equipment and furniture	1,320	476,086
Bank fees	145	822
<b>Total Expenditures</b>	<u>32,452</u>	<u>1,706,595</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>(24,162)</u>	<u>(1,695,678)</u>
<b>Other Financing Sources</b>		
Other	-	1,457
<b>Net Change in Fund Balances</b>	(24,162)	(1,694,221)
<b>Fund Balances, July 1</b>	<u>239,787</u>	<u>1,934,008</u>
<b>Fund Balances, June 30</b>	<u><u>\$ 215,625</u></u>	<u><u>\$ 239,787</u></u>

## **AGENCY FUND**

*Student Activities*—to account for the collection and disbursements of monies used by the school activity clubs and groups.

**LOWELL AREA SCHOOLS**  
**Student Activities Agency Fund**  
**Statement of Changes in Assets and Liabilities**  
**For the year ended June 30, 2006**

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	<u>Balances</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances</u> <u>June 30, 2006</u>
<b>Assets</b>				
Cash equivalents, deposits and investments	<u>\$ 279,333</u>	<u>\$ 862,261</u>	<u>\$ 820,357</u>	<u>\$ 321,237</u>
<b>Liabilities</b>				
Due to student groups	<u>\$ 279,333</u>	<u>\$ 862,261</u>	<u>\$ 820,357</u>	<u>\$ 321,237</u>



## **OTHER INFORMATION**

**LOWELL AREA SCHOOLS**  
**Summary of 2005 Taxes Levied and Collected**  
**For the year ended June 30, 2006**

	County of Kent				
	City of Lowell	Ada	Bowne	Cannon	Cascade
<b>Taxable Valuations</b>					
Operating	\$54,595,683	\$12,792,680	\$16,345,874	\$ 935,053	\$ 5,852,795
Debt Service	100,940,307	72,125,924	46,507,210	10,822,373	27,476,451
<b>Rates (Mills)</b>					
General Fund					
1990 Debt Service Fund					
2000 Debt Service Fund					
2004 Debt Service Fund					
2005 Debt Service Fund					
<b>Taxes Levied 2005 Rolls</b>					
General Fund	\$ 873,450	\$ 217,155	\$ 147,450	\$ 15,872	\$ 99,351
1990 Debt Service Fund	474,412	338,988	218,581	50,864	129,138
2000 Debt Service Fund	60,563	43,275	27,904	6,493	16,486
2004 Debt Service Fund	90,845	64,913	41,856	9,740	24,728
2005 Debt Service Fund	80,751	57,700	37,205	8,658	21,981
	<u>1,580,021</u>	<u>722,031</u>	<u>472,996</u>	<u>91,627</u>	<u>291,684</u>
<b>Taxes Uncollected 2005 Rolls</b>					
General Fund	5,053	-	127		3
1990 Debt Service Fund	1,399	-	35	-	1
2000 Debt Service Fund	178	-	5	-	1
2004 Debt Service Fund	268	-	7	-	-
2005 Debt Service Fund	238	-	6	-	-
	<u>7,136</u>	<u>-</u>	<u>180</u>	<u>-</u>	<u>5</u>
<b>Taxes Collected 2005 Rolls</b>					
General Fund	868,397	217,155	147,323	15,872	99,348
1990 Debt Service Fund	473,013	338,988	218,546	50,864	129,137
2000 Debt Service Fund	60,385	43,275	27,899	6,493	16,485
2004 Debt Service Fund	90,577	64,913	41,849	9,740	24,728
2005 Debt Service Fund	80,513	57,700	37,199	8,658	21,981
	<u>1,572,885</u>	<u>722,031</u>	<u>472,816</u>	<u>91,627</u>	<u>291,679</u>
<b>Delinquent Taxes Collected</b>					
General Fund	673	1,963	-	-	2,281
1990 Debt Service Fund	200	590	-	-	747
2000 Debt Service Fund	61	177	-	-	144
2004 Debt Service Fund	6	8	-	-	4
	<u>940</u>	<u>2,738</u>	<u>-</u>	<u>-</u>	<u>3,176</u>
<b>Total Taxes Collected</b>					
General Fund	869,070	219,118	147,323	15,872	101,629
1990 Debt Service Fund	473,213	339,578	218,546	50,864	129,884
2000 Debt Service Fund	60,446	43,452	27,899	6,493	16,629
2004 Debt Service Fund	90,583	64,921	41,849	9,740	24,732
2005 Debt Service Fund	80,513	57,700	37,199	8,658	21,981
	<u>\$1,573,825</u>	<u>\$ 724,769</u>	<u>\$ 472,816</u>	<u>\$ 91,627</u>	<u>\$ 294,855</u>

(Continued)

Townships			County of Ionia			Total
Grattan	Lowell	Vergennes	Boston	Campbell	Keene	
\$ 10,193,680	\$ 35,132,509	\$ 30,692,570	\$ 3,102,521	\$ 96,437	\$ 1,056,588	\$170,796,390
51,084,092	150,704,063	149,276,725	17,426,130	1,119,253	14,075,185	641,557,713
						17.5544
						4.7000
						0.6000
						0.9000
						0.8000
						24.5544
\$ 173,036	\$ 596,373	\$ 509,289	\$ 54,463	\$ 1,693	\$ 18,548	\$ 2,706,680
240,090	708,297	701,590	81,903	5,260	66,153	3,015,276
30,650	90,421	89,565	10,456	672	8,445	384,930
45,975	135,631	134,347	15,683	1,007	12,668	577,393
40,866	120,561	119,420	13,941	895	11,260	513,238
530,617	1,651,283	1,554,211	176,446	9,527	117,074	7,197,517
-	3,747	4,035	1,643	-	-	14,608
-	1,037	1,117	455	-	-	4,044
-	132	143	58	-	-	517
-	198	214	87	-	-	774
-	176	190	78	-	-	688
-	5,290	5,699	2,321	-	-	20,631
173,036	592,626	505,254	52,820	1,693	18,548	2,692,072
240,090	707,260	700,473	81,448	5,260	66,153	3,011,232
30,650	90,289	89,422	10,398	672	8,445	384,413
45,975	135,433	134,133	15,596	1,007	12,668	576,619
40,866	120,385	119,230	13,863	895	11,260	512,550
530,617	1,645,993	1,548,512	174,125	9,527	117,074	7,176,886
-	6,727	2,259	-	-	-	13,903
-	1,969	669	-	-	-	4,175
-	648	206	-	-	-	1,236
-	41	26	-	-	-	85
-	9,385	3,160	-	-	-	19,399
173,036	599,353	507,513	52,820	1,693	18,548	2,705,975
240,090	709,229	701,142	81,448	5,260	66,153	3,015,407
30,650	90,937	89,628	10,398	672	8,445	385,649
45,975	135,474	134,159	15,596	1,007	12,668	576,704
40,866	120,385	119,230	13,863	895	11,260	512,550
\$ 530,617	\$ 1,655,378	\$ 1,551,672	\$ 174,125	\$ 9,527	\$ 117,074	\$ 7,196,285

**LOWELL AREA SCHOOLS**  
**Summary of 2005 Taxes Levied and Collected**  
**For the year ended June 30, 2006**

	County of Kent				
	City of Lowell	Ada	Bowne	Cannon	Cascade
<b>Taxes Uncollected – June 30, 2006</b>					
General Fund:					
2005	\$ 5,053	\$ -	\$ 127	\$ -	\$ 3
2004	709	235	12	-	80
2003	1,728	400	-	-	-
	<u>7,490</u>	<u>635</u>	<u>139</u>	<u>-</u>	<u>83</u>
1990 Debt Service Fund:					
2005	1,399	-	35	-	1
2004	209	64	3	-	24
2003	531	126	-	-	-
	<u>2,139</u>	<u>190</u>	<u>38</u>	<u>-</u>	<u>25</u>
2000 Debt Service Fund:					
2005	178	-	5	-	1
2004	65	21	1	-	7
2003	156	36	-	-	-
	<u>399</u>	<u>57</u>	<u>6</u>	<u>-</u>	<u>8</u>
2004 Debt Service Fund:					
2005	268	-	7	-	-
2004	8	3	-	-	5
	<u>276</u>	<u>3</u>	<u>7</u>	<u>-</u>	<u>5</u>
2005 Debt Service Fund:					
2005	238	-	6	-	-
	<u>238</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>-</u>
<b>Total Taxes Uncollected</b>	<u><u>\$ 10,542</u></u>	<u><u>\$ 885</u></u>	<u><u>\$ 196</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 121</u></u>

County of Ionia						
Townships						
Grattan	Lowell	Vergennes	Boston	Campbell	Keene	Total
\$ -	\$ 3,747	\$ 4,035	\$ 1,643	\$ -	\$ -	\$ 14,608
-	1,354	-	-	-	-	2,390
1	1,039	1,865	663	-	-	5,696
1	6,140	5,900	2,306	-	-	22,694
-	1,037	1,117	455	-	-	4,044
-	122	-	-	-	-	422
1	99	566	209	-	-	1,532
1	1,258	1,683	664	-	-	5,998
-	132	143	58	-	-	517
-	3	-	-	-	-	97
-	1	167	60	-	-	420
-	136	310	118	-	-	1,034
-	198	214	87	-	-	774
-	15	-	-	-	-	31
-	213	214	87	-	-	805
-	176	190	78	-	-	688
<u>\$ 2</u>	<u>\$ 7,923</u>	<u>\$ 8,297</u>	<u>\$ 3,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,219</u>

**LOWELL AREA SCHOOLS**  
**Kent and Ionia Counties, Michigan**

Auditor's Report On Compliance  
For Federal Grant Programs

For the year ended June 30, 2006

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## **LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

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Hungerford, Aldrin,  
Nichols & Carter, P.C.  

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CPAs AND CONSULTANTS

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

August 4, 2006

The Board of Education  
Lowell Area Schools  
Lowell, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools as of and for the year ended June 30, 2006, which collectively comprise Lowell Area School's basic financial statements and have issued our report thereon dated August 4, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Lowell Area School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations that we considered to be material weaknesses.



The Board of Education  
Lowell Area Schools  
August 4, 2006

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Lowell Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hungerford, Aldrin, Nichols & Benton, P.C.*

Certified Public Accountants

Hungerford, Aldrin,  
Nichols & Carter, P.C.  
CPAs AND CONSULTANTS

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

August 4, 2006

The Board of Education  
Lowell Area Schools  
Lowell, Michigan

**Compliance**

We have audited the compliance of Lowell Area Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Lowell Area School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Lowell Area School's management. Our responsibility is to express an opinion of Lowell Area School's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lowell Area School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Lowell Area School's compliance with those requirements.

In our opinion, Lowell Area Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

The Board of Education  
Lowell Area Schools  
August 4, 2006

### **Internal Control Over Compliance**

The management of Lowell Area Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Lowell Area School's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Lowell Area Schools as of and for the year ended June 30, 2006, and have issued our report thereon dated August 4, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Lowell Area School's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hungerford, Aldrin, Nichols & Austin, P.C.*

Certified Public Accountants

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I:	84.010	
0515300405		\$164,493
0615300506		264,176
Total Title I		428,669
Title IIA:	84.367	
0405200405		27,042
0505200405		90,233
0605200506		90,691
Total Title IIA		207,966
Title IID:	84.318	
05429000405		4,180
06429000506		4,928
Total Title IID		9,108
Title V:	84.298	
0602500506		1,585
Total Passed Through MDE		647,328
Passed through Kent Intermediate School District (KISD):		
Safe and Drug Free Schools and Communities Act:	84.186	
052860 0506 2004-05 Program		270
062860 0506 2005-06 Program		6,398
Total Safe Drug Free Schools and Communities Act		6,668

(Continued)

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$75,493	\$164,493	\$264,176	\$75,493 104,883	\$159,293
75,493	164,493	264,176	180,376	159,293
13,802 21,233	27,042 90,233	90,691	13,802 21,233 54,758	35,933
35,035	117,275	90,691	89,793	35,933
216	4,180	4,928	216 3,302	1,626
216	4,180	4,928	3,518	1,626
	2,375	1,585	722	863
110,744	288,323	361,380	274,409	197,715
	9,571	270 6,398	270 6,398	
—	9,571	6,668	6,668	—

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*****LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
Special Education Cluster:		
I.D.E.A. – Flow Through:	84.027	
Flow Through – 0504500405		\$648,047
Flow Through – 0604500506		646,599
		<hr/>
Total I.D.E.A. – Flow Through		1,294,646
		<hr/>
I.D.E.A. – Capacity Building/TMT/ Transition:	84.027A	
Capacity Building – 050490-CB		2,776
TMT – 0504800405		759
Transition – 060490-TS		1,666
		<hr/>
Total I.D.E.A. – Capacity Building/TMT/ Transition		5,201
		<hr/>
I.D.E.A. – Preschool:	84.173	
Preschool – 0504600405		34,759
Preschool – 0604600506		31,405
		<hr/>
Total I.D.E.A. – Preschool		66,164
		<hr/>
Total Special Education Cluster		1,366,011
		<hr/>
Total Passed Through Intermediate School District		1,372,679
		<hr/>
<b>Total U.S. Department of Education</b>		2,020,007
		<hr/>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Kent Intermediate School District (KISD):		
School Based Medicaid	93.778	4,551
		<hr/>
<b>Total U.S. Department of Health and             Human Services</b>		4,551
		<hr/>

*(Continued)*

Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
\$236,879	\$648,047	\$646,599	\$236,879 384,292	\$262,307
236,879	648,047	646,599	621,171	262,307
2,776 759	2,776 759 1,666	1,666	2,776 759 1,666	
3,535	5,201	1,666	5,201	—
	34,759	31,405	17,982	13,423
—	34,759	31,405	17,982	13,423
240,414	688,007	679,670	644,354	275,730
240,414	697,578	686,338	651,022	275,730
351,158	985,901	1,047,718	925,431	473,445
	1,398	4,551	3,083	1,468
—	1,398	4,551	3,083	1,468

***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)*****LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Federal CFDA Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Agriculture Nutrition Cluster</b>		
Passed Through Michigan Department of Education (MDE):		
National School Lunch Program:		
Lunches:		
Section 4 – Total Servings – 1950	10.555	\$66,237
Section 11 – Free and Reduced – 1960		188,434
Total Lunches		254,671
Breakfast:		
Total Servings – 1970	10.553	9,041
Free and Reduced – 1970		28,370
Total Breakfast		37,411
USDA Commodities:		
Bonus Commodities	10.550	2,011
Entitlement Commodities		52,883
Total USDA Commodities		54,894
<b>Total U.S. Department of Agriculture (Passed Through MDE)</b>		346,976
<b>Total Federal Financial Assistance</b>		<b>\$2,371,534</b>

- Notes: 1. This schedule was prepared using accounting policies consistent with those used in preparing the Basic Financial Statements.
2. The amounts reported on the R7120, Grant Section Auditors Report, reconcile with this schedule.
3. The amounts reported on the Recipient Entitlement Balance Sheet, or PAL Report, agree with this schedule for USDA donated food commodities.



Accrued (Deferred) Revenue July 1, 2005	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue June 30, 2006
	\$62,376	\$66,237	\$66,237	
	179,860	188,434	188,434	
—	242,236	254,671	254,671	—
	7,468	9,041	9,041	
	22,850	28,370	28,370	
—	30,318	37,411	37,411	—
	5,151	2,011	2,011	
	32,196	52,883	52,883	
—	37,347	54,894	54,894	—
	309,901	346,976	346,976	—
\$351,158	\$1,297,200	\$1,399,245	\$1,275,490	\$474,913

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

#### **Section I – Summary of Auditor’s Results**

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##### ***Financial Statements***

Type of auditors’ report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?                      \_\_\_\_\_ Yes                        X   No
- Reportable condition(s) identified that are not  
considered to be material weakness(es)?                      \_\_\_\_\_ Yes                        X   None reported
- Noncompliance material to financial statements noted?                      \_\_\_\_\_ Yes                        X   No

##### ***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified:                      \_\_\_\_\_ Yes                        X   No
- Reportable condition(s) identified that are not  
considered to be material weakness(es)?                      \_\_\_\_\_ Yes                        X   None reported

Type of auditor’s report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

\_\_\_\_\_ Yes                        X   No

Identification of major programs audited:

I.D.E.A. Cluster:

84.027 Flow Through

84.27A Transitions

84.173 Preschool

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

  X   Yes                      \_\_\_\_\_ No

## ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

#### **Section II – Financial Statement Findings**

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No matters reported.

#### **Section III – Federal Award Findings and Questioned Costs**

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No matters reported.

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **LOWELL AREA SCHOOLS**

For the year ended June 30, 2006

#### ***Note A – Federal Income Reconciliation***

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I	\$264,176	\$264,176	
Title IIA	90,691	90,691	
Title IID	4,928	4,928	
Title V	1,585	1,585	
Safe and Drug Free Schools and Communities Act	6,668	6,668	
I.D.E.A.	679,670	679,670	
School Based Medicaid	4,551	4,551	
Nutrition Cluster	346,976	346,976	
	<b>\$1,399,245</b>	<b>\$1,399,245</b>	<b>—</b>

# Hungerford, Aldrin, Nichols & Carter, P.C.

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C P A s A N D C O N S U L T A N T S

August 4, 2006

The Board of Education  
Lowell Area Schools

The following comments pertain to our audit of the financial records of Lowell Area Schools as of and for the year ended June 30, 2006. The comments are made in accordance with Statement on Auditing Standards No. 61 "Communication With Audit Committees" which requires that in certain audits, certain matters are to be communicated to those who have responsibility for oversight of the financial reporting process. The communications required by this statement, if pertinent to the examination, are as follows:

1. Auditor's Responsibility Under Generally Accepted Auditing Standards.
2. Significant Accounting Policies.
3. Management Judgments and Accounting Estimates.
4. Significant Audit Adjustments.
5. Other Information in Documents Containing Audited Financial Statements.
6. Disagreements With Management.
7. Consultation With Other Accountants.
8. Major Issues Discussed With Management Prior to Retention.
9. Difficulties Encountered in Performing the Audit.
10. Uncorrected Misstatements (Passed Audit Adjustments).

The communications specified by this Statement are incidental to the audit and are not required to occur before, nor do they affect, our auditor's report on the District's financial statements.

The following are the matters to be communicated by SAS No. 61 based on our observations during the course of our audit of the financial statements and our review and evaluation of the internal control system of Lowell Area Schools:

### **Auditors Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Lowell Area School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Lowell Area School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Lowell Area School's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Lowell Area School's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Lowell Area School's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Lowell Area Schools are described in Note A to the financial statements.

### **Difficulties Encountered In Performing The Audit**

We encountered no significant difficulties in performing the audit of the financial statements of Lowell Area Schools for the year ended June 30, 2006. We found the internal control structure and accounting system to be basically adequate and operating in the manner intended.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. During the course of our audit the following adjustments of a significant nature were made to the accounting records of the District to bring the balances to those presented in the financial statements:

#### **General Fund**

1. \$18,681 to write off 2002 delinquent personal property taxes uncollected at June 30, 2006.
2. \$78,095 to record the receivable for Medicaid reimbursement from KISD.
3. \$39,141 to reverse prior year accrued interest payable and \$66,973 to record the accrued interest payable due on the State Aid Loan payable at June 30, 2006.

#### **Debt Service Funds**

1. \$2,227 to record delinquent personal property taxes receivable and \$6,945 to write off 2002 delinquent personal property taxes uncollected at June 30, 2006.

### **Proposed Audit Adjustments**

There were no material adjustments proposed during the audit not recorded by Lowell Area Schools.

### **Suggestions And Recommendations**

We offered suggestions and recommendations regarding the day-to-day operations of the accounting system of Lowell Area Schools to the Assistant Superintendent for Finance and Personnel, the Finance Supervisor and District payroll and accounting personnel as the topics arose during the course of our audit fieldwork. Hopefully, these suggestions will ease the day-to-day operations of the business office and assist in more efficient monthly and year-end financial record keeping and reporting.

## Other Comments

The General Fund balance of the District increased by \$523,575 to \$2,643,938 at June 30, 2006. This balance represents approximately 8 percent of the District's 2005-06 expenditure budget, up from 6.75 percent at June 30, 2005. Maintaining a fund balance of at least 10 to 20 percent of the ensuing year's expenditure budget is advisable for Lowell Area Schools. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District. In addition, employee benefit costs are expected to increase significantly in the next few years, which will require the use of fund balance reserves considering the expectation of small (or no) growth in state aid revenues.

Our audit this year was again completed under the requirements of Statement on Auditing Standards No. 99 "Consideration of Fraud in a Financial Statement Audit" (SAS No. 99), which requires both auditors and their clients to more directly and openly assess those areas within a school district that might be susceptible to fraudulent activity, which would normally include those areas outside the central office that handle cash, inventory, supplies, etc. This is an important audit standard that requires increased face-to-face discussions/interviews with client personnel and extensive documentation of our findings for future reference. We found that Lowell Area Schools has a very extensive network of internal controls within its accounting and record keeping system, and found those tested this year to be operating in the manner intended. Working with District business office personnel, we will be testing other control areas each year as a part of our audit, with suggestions and recommendations to follow the testing each year, to assist the District in maintaining and improving its systems.

This communication is intended solely for the information and use of the Lowell Area Schools Board of Education, administration and others within the organization. We have furnished a copy of this letter to the Michigan Department of Education as an enclosure with the audit report as required by the State of Michigan.

We appreciate the opportunity to provide financial auditing and advisory services to Lowell Area Schools and hope to continue to do so in the future. We also appreciate the dedication and cooperation of the District's administration and accounting personnel in performing their functions and in assisting us in completing ours. If there are any questions regarding the audit report, or the attached communications, we will be happy to address them.

*Hungerford, Aldrin, Nichols & Carter, P.C.*

Certified Public Accountants